SUPERMARKET BUSINESS

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NOVEMBER 1991

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Wegmans wins Grand Award with SUPERMARKET BUSINESS entry in POINTS OF LIGHT COMPETITION

President George Bush congratulates (left to right) Ken Partch, SUPERMARKET BUSINESS; Allen Johnson, Wegmans; Gerald Hobbs, ABP; Robert Wegman, Wegmans, at White House awards ceremony (story on page 9).

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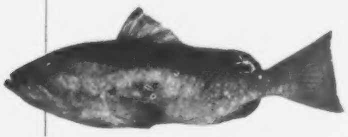

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INSTORE BABBLE

By Ken Partch, Editor-In-Chief

Seldom do we really hear what is going on around us. Usually, this is a fortunate thing, because the general atmosphere is full of so much meaningless static. It is the brain's way of shutting out unneeded "information."

For example, New York is the financial capital of the country, if not the world, and so each morning CBS News reminds me that the London gold fix is up or down a fraction of a pfennig or a piece of yen. I don't know what I should or could do with that information since I own no gold, pfennigs or yen, and have no intention of trading my dollars for them. But somebody must. It's a way of reminding us who really runs New York, I suppose, the way the potato crop is news in Maine, sowbellies in Chicago, and corn in Kansas. It seems to be something we have to know to start each day. Probably in case it comes up at lunch. Like the latest baseball scores.

It is the same with miscellaneous business information. We are surrounded by it, but fortunately we seldom really hear it. Or all of it. We are automatically selective. Every now and then, however, the brain tricks you, and tunes in very loudly and clearly—just when you would have been just as happy to have been left alone. I do this with general magazines and books. And I am often startled by something that couldn't possibly make any sense, but there it is. Why me?

Recently, a publication called The Best of Business Quarterly found its way to my desk. I have never seen it before, and don't know how it got there. In it, there is an article that is adapted from a book I have been meaning to read but haven't as yet—"Whatever happened to Madison Avenue? Advertising in the '90s," by Martin Mayer.

As I recall, this book has gotten good reviews, and has been well-received by the advertising community. I wish I could have left it at that, but no. This article had to come along and I had to read it. What caught my attention was that it's about brand loyalty, advertising and supermarkets. That's my business and your business.

It has some dandy quotes that I know you will be interested in. With companies such as General Foods, Kraft and Nabisco being bought for incredible amounts of money you might have thought that all this was to get hold of the brands these companies own. But in this very article I am told that brand loyalty no longer exists, and that nobody has any faith that advertising really sells, anymore.

Now that we have all but destroyed brand loyalty, we seem hell-bent on destroying the supermarket itself. Why?

After discussing the incredible growth of cable TV and the loss of ad revenue from network advertising, the article states that "retail outlets were consolidating, and the arrival of the computer would dictate their move to centralized information control." Charles Peebler Jr. of Bozell [advertising] argued as late as the spring of 1990 that it hadn't happened yet: 'Of the 25,000 supermarkets, scanners are being used in maybe 200 to control and replace inventory. All that money has been spent and they're only glorified checkouts. In one store we are aware of, there were 20,000 items, and only 11,600 of them were scanned in a given week. About 8,400 never sold at all, and of the 11,600 that did sell 4,000 sold less than four units each. This gives advertising agencies a chance to assume a different kind of relationship with manufacturers and retailers.'

"But Peebler was out of date," says the article. "From Vons to Jewel to Safeway to Publix," it goes on, "the big supermarket chains had bought their IBM systems and were busily evaluating the profitability of every inch of shelf space in the stores."

Here it is again. The "Star Wars" of modern marketing. Why do people who should know better want to believe this nonsense? Procter & Gamble, Philip Morris, Kraft General Foods and Budweiser have probably spent ten times more on DPP than all the supermarket operators combined. Why? Because it makes for a very good sales story. That's who wants DPP. It isn't worth it for most retailers. The payback isn't there. You don't have to be a computer-proficient merchandiser to know that a small compact product, such as a TetraPak, with a high gross margin and good turns, has a better DPP than a large, bulky, heavy, slow-turning package of anything.

There is much to know and to be learned about controlling and replacing inventory. Aside from controlling the front end and scheduling people and manhours, it is probably the most important thing about operations *to* know. But it doesn't happen just because your stores now all have scanners, as you well know.

The problem I have is that most knowledgeable people in this industry know that the U.S. market is unique because its consumers are savvy, brand-aware and brand-conscious as in no other market in the world, and that good advertising helped make them that way. That's why Europe is

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Fish aren't foul...but when will more shoppers believe it?

FRESH FISH AND SEAFOOD

1991 DEPARTMENT OPERATIONS REVIEW

Despite the proven interest in lighter, more healthful eating, sales of fresh fish and seafood remained flat, amid consumer concerns and industry shortcomings.

BY DAVID LITWAK AND
JANET TORRES CEPEDA

■ It has been years since supermarkets got into the fresh fish and seafood business in a serious way. But despite the manpower, dollars and square footage invested, key factors continue to hamper both the image and performance of the departments.

Business at the seafood counter has not improved in proportion to the well established market for lighter, more healthful entrees. Evidently, the problem relates both to the product itself and the way supermarkets handle it—pointing yet again to the need to educate consumers, and gear operations and selling techniques to the special requirements of the category.

Yes, retailers have heard that tune before. But are they singing along? And if so, are consumers listening?

Sales of fresh fish and seafood through supermarkets reached $3.72 billion last year, an increase of only 2.6% over 1989's total of $3.63 billion, a lackluster showing at a time when so many Americans are looking for opportunities to lower the fat and cholesterol in their diets.

Also consider that in 1989, seven percent of all transactions in supermarkets with fresh fish departments included purchases from those sections. In 1990, that frequency dropped to 6.4%. So retailers are having a hard time both developing new seafood customers and getting the existing ones to increase their purchases.

For what it's worth, supermarket operators can take some comfort in a couple of points. The first is the profit picture, with retailers reporting that fish/seafood departments doing two percent of total store sales contribute about 5.6 percent of total profit, based on an average gross margin of 31.4 percent.

The second is that independent seafood shops fared no better than supermarkets in boosting volume last year. Combined sales through supermarkets and specialty stores grew by only 2.3 percent in 1990. Considering that the price of fresh fish and seafood rose 3.4% for the year, according to the Consumer Price Index, it appears that tonnage was actually down by 0.8 percent last year.

Looking at yet another measure, the per capita consumption of fish/seafood slipped slightly to just 15.5 pounds last year, including both retail and restaurant consumption. So it is clear that all segments of the food industry are still swimming upstream in the effort to entice consumers to buy and eat more seafood.

Help the consumer!

Despite the industry's efforts thus far, many consumers are still not used to including fish and seafood as a staple of their diets. A large portion of the population was not raised eating fish on a regular basis, and thus has never acquired a taste for it.

And many find it hard to change that, because they have little or no familiarity with varieties beyond the perennial customer favorites, or how to prepare them. This has been well documented in the past, but little has been done to remedy the situation, as indicated by the continuing profile of the department's sales.

CENSUS, SALES & MARGINS

With over 46% of the nation's supermarkets selling fresh fish and seafood, sales dollars reached an all-time high in 1990, totaling $3.72 billion. While this represented an increase of 2.6% over 1989's sales of $3.63 billion, it was almost exclusively due to an increase in the retail price of the products.

The average weekly sales of the department were also up slightly last year, reaching $5,757. Most operators (62%) did report an increase in their fish/seafood sales during 1990.

The department is profitable. Retailers report that the department generally contributes roughly 5.6% to the total profit of a store, based on an average distribution of just 2.23% of the store's total sales. An average department gross margin of 31.4% has helped maintain this profitability.

Fish/Seafood Units

No. of supermarkets selling fresh fish/seafood	**14,230**
Percentage of all supermarkets	**46.3%**
Number of fresh fish/seafood departments opened during last 12 months	**230**

Average Weekly Sales

Mean **$5,757** Median **$4,530**

Changes In Dollar Sales

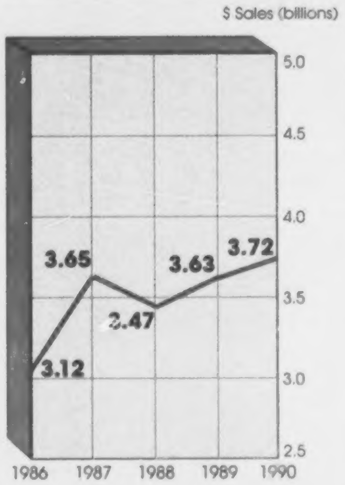
(1990 vs. 1989)

Higher	**64%**
No Change	**27**
Lower	**9**
Total	**100%**

Sales and Margins

Share of Total Store Sales		
	Mean **2.23%**	Median **2.46%**
Gross Margin		
	Mean **31.4%**	Median **29.7%**
Contribution to Store Profit		
	Mean **5.6%**	Median **5.00%**

Annual Sales



Do You Consider Your Fish/Seafood Departments:

Traffic & Image Builders	**42%**
Both image builders & profit centers	**58**
Total	**100%**

SPACE & LOCATION

There was modest growth in the size of the average service fish/seafood department last year. On average, the section grew 60 sq. ft., bringing its size to 640 sq. ft.. The department in a superstore averages about four times the size of the section in a conventional unit.

Size of Department

Full-service department	
Mean	**640 sq. ft.**
Median	**590 sq. ft.**
By Store Format	
Conventional	**180 sq. ft.***
Superstore	**750 sq. ft.**

*Includes self-service fish/seafood departments

Sales Per Square Foot

Mean weekly sales per sq. ft.	**$8.99**

Location of Department

Adjacent to meat dept.	**65%**
Separate from meat dept.	**35**
Total	**100%**

What's Selling?

Roughly 30 percent of category volume is done in shrimp, far and away the department's lead seller. Lobster accounts for seven percent of sales, while another 43 percent are provided by less than 10 of the most popular and familiar varieties of fish.

Nobody's complaining about brisk sales of those items, given the tasty margins they provide. But such concentrated demand coupled with the uncertain nature of the available "catch" can irritate shoppers who assume that the seafood section can have the same consistency as the meat department. And because customers are wary of substitute items they know little about, the absence of their favorites often means no sale at all.

The situation also heightens the product rotation and shrink issues particularly relevant to this spoilage-sensitive category. With just a handful of items accounting for 80 percent of volume, and with operators reporting that they carry some 34 selections at a given time in today's more complete departments, what's happening to the many slow movers this scenario suggests?

Going to the Source

Retailers acknowledge that they need expert help not only in the consumer education process, but also in operations and merchandising as well—and they view their suppliers as the logical source of that assistance in each of those areas.

In fact, 83 percent of those surveyed said they wanted greater participation by vendors in cooking demonstrations and sampling programs, and 75 percent requested greater assistance from them in training seafood department employees in the knowledge, handling, preparation and mer-

Supermarket operators can take some comfort in the knowledge that retail fish stores had just as much difficulty trying to increase sales as they did.

LABOR & SERVICE

There was an increase in the number of employees manning the fresh fish/seafood section in 1990. On average a department operated with the equivalent of 3.3 full-time employees. This was an increase from 2.5 employees in 1989. More value-added products and services spurred this jump in staffing.

With the increased need for employees, the need for training those personnel has become more critical than ever. Three-quarters of the retailers now have formal training programs in place for their seafood employees. In the vast majority of companies, it is left to the department manager to carry out the training.

In only about 17% of the companies does the seafood supplier lend any significant assistance in the training of department employees. Retailers are looking to suppliers for a lot more help in this function.

Number of Employees

Full-time	1.6
Part-time	3.4
Full-time equivalent*	3.3

*Two part-time=one full-time employee

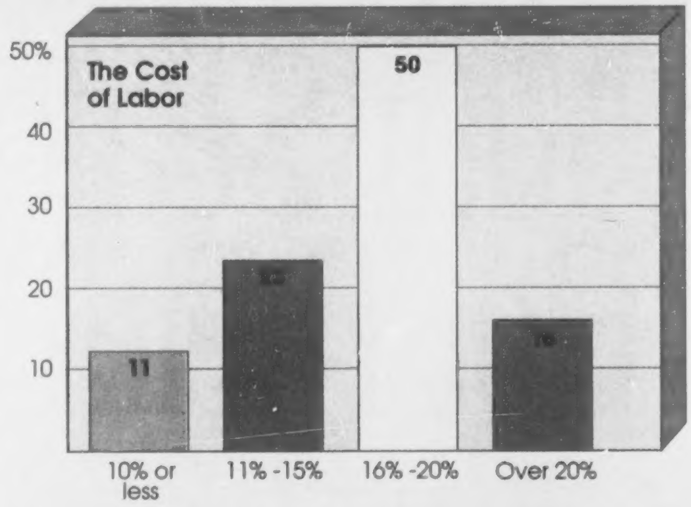
How Much for Labor?

(as a percent of sales*)

Mean 14.5% Median 13.9%

100% of Departments*

*Includes both service & self-service depts.



Employee Training

Have formal fish/seafood training program	75%
No formal fish/seafood training program	25
Total	100%

Who Is Responsible for Training?

(includes multiple answers)

Department Manager	83%
Corporate Trainer	53
Seafood Supplier	17

How Is Your Fish/Seafood Department Managed?

Managed:	
As separate dept.	62%
As part of meat dept.	38
Total	100%

Companies Want Supplier Help

In Consumer Education	100%
Demonstrations	85%
Employee training	75%

chandising of the various species—especially those with which most shoppers lack experience.

Just how many people does it take to man the fish/seafood department these days, and what kind of instruction are they getting?

The average department in 1990 was run by the equivalent of 3.3 full-time employees, actually comprised of 1.6 full-time employees and 3.4 part-timers.

The added manpower in last year's fish department reflects the addition of more value-added products, and more of a service orientation. With consumer confidence in their ability to cook seafood far from booming, part of the answer may indeed lie in greater on-site preparation. Last year, fully or partially-prepared items accounted for about 11 percent of total seafood sales. In all, it generally costs the department 14.5 percent of its sales to cover labor costs.

As for training, three-quarters of the retailers say they have a formal training program in place for their fish department employees. Eighty-three percent of the companies responding rely upon their department managers to administer training directly, while 53 percent reported the availability of corporate trainers to assist in the function. Only 12 percent said suppliers were providing training assistance, while as mentioned earlier, some 75 percent feel that vendors should be lending their expertise to the process.

With customers more prone to worry about freshness and safety in this department than any other, perhaps the key emphasis of training should be product handling and sanitation. Keeping the sections fresh looking and fresh smelling is an operational factor that also doubles as a key merchandising tool. Unlike the aroma rising from an instore bakery, "fishy" odors wafting through the store from the seafood department can have disastrous effects throughout.

Better product handling and merchandising not only improves aesthetics, but also helps to minimize departmental shrink through waste and spoilage. Retailers report an average seafood shrink rate of 7.4 percent, but the figure is much higher in some operations, and it is probably underestimated as an average.

Footage for Fish

The size of the fresh fish and seafood department has not changed much in the last year. On average, a full-service department runs about 640 sq. ft. This is only about 40 sq. ft. larger than the average department was a year ago.

Because of the nature of the stores, and what they are try-

Keeping the sections fresh looking and fresh smelling is an operational factor that also doubles as a key merchandising tool.

ing to achieve, the size of the fish department varies significantly among store formats. The average department in a conventional store measures about 180 square feet, while its counterpart in a superstore averages more than than four times that size.

That striking difference is not merely in proportion to differences in total store size. Rather it reflects the different merchandising approach and image considerations of the superstore, particularly the more upscale variety. These are located in areas where customer demographics would theoretically bode well for potential seafood sales, and where impressive variety on the whole increases shopper confidence in the quality of the merchandise.

The Price of Image

But regardless of image value, a continuing string of flat seafood volume years may make further space allocations more difficult for department directors to justify. In 1990, with departments slightly larger, weekly sales per square foot decreased to $8.99 from the prior year's $9.53—not encouraging for managements that grade their departments strictly in terms of return on investment.

One thing that seafood experts and retailers have learned is that you can't force-feed seafood to the American consumer, no matter how hard you promote it. The process by which tastes change is a long, gradual one. In the case of fish, it may have to happen one species at a time.

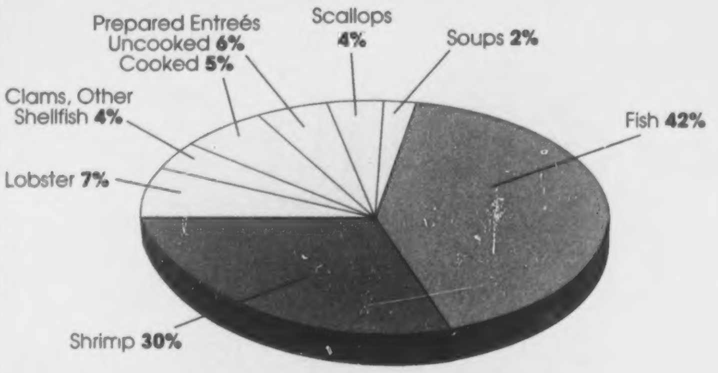
In recent years, foodservice operators have taken the lead over retailers in achieving what success there has been in moving fish into the mainstream. Such restaurant chains as Red Lobster and Long John Silver have been more successful than even the fast-food operators when it comes to selling fish.

PRODUCT MIX

The various species of fish together account for 42% of the sales of the department. This is down slightly from the 44% fish brought in the year before. Shrimp is still a dominant factor in the sales portioning of the section, in itself accounting for 30% of the total sales of the department.

Prepared fish and seafood items are still emerging as important products for the department. Both fully prepared and partially prepared items now account for 11% of the section's sales. These entrees are a big selling point, especially with convenience conscious consumers, and those who may not be familiar with fish preparation.

Portioning Out the Fish/Seafood Sales Dollar



How Do You Sell Lobsters?

(includes multiple answers)

Live	93%
Sell Live & Then Cook in Store	67
Frozen	34
Prepared before purchase	33
Refrigerated	10

Fresh vs. Frozen

Percentage of fish/seafood sold

Fresh	73%
Frozen	27
Total	100%

How Many Varieties Of Fish/Seafood Do You Generally Stock?

Mean **34** Median **25**

MERCHANDISING CUSTOMERS & SUPPLY

Slightly more than 6% of the weekly transactions in a store that has a fresh fish/seafood department include a purchase from that department. This statistic is disappointing to operators, as they search for ways to entice consumers to purchase fish more often.

The average amount of a transaction in the fish/seafood section is $6.26. This is up from the year before, although retail price increases are the primary reason for the change.

Service is the watch-word in selling fish and seafood. Eighty-two percent of the sales move through service counters.

How Customers Spend

Percent of Store Transactions Including A Fish/Seafood Purchase

Mean **6.4%** Median **6.0%**

How Much They Spend

(per transaction)

Mean **$6.26** Median **$6.00**

Under $3.00	2%
$3.00-$4.00	20
$4.01-$5.00	28
$5.01-$6.00	35
Over $6.00	15
Total	100%

Service vs. Self-Service

(In service fish/seafood departments)

Percentage of Sales Through:

Service	82%
Self-service	18
Total	100%

Supply

Percentage of fresh fish/ seafood bought from:

Specialty fish/seafood wholesaler	88%
Other (incl. grocery wholesaler)	12
Total	100%

Shrink

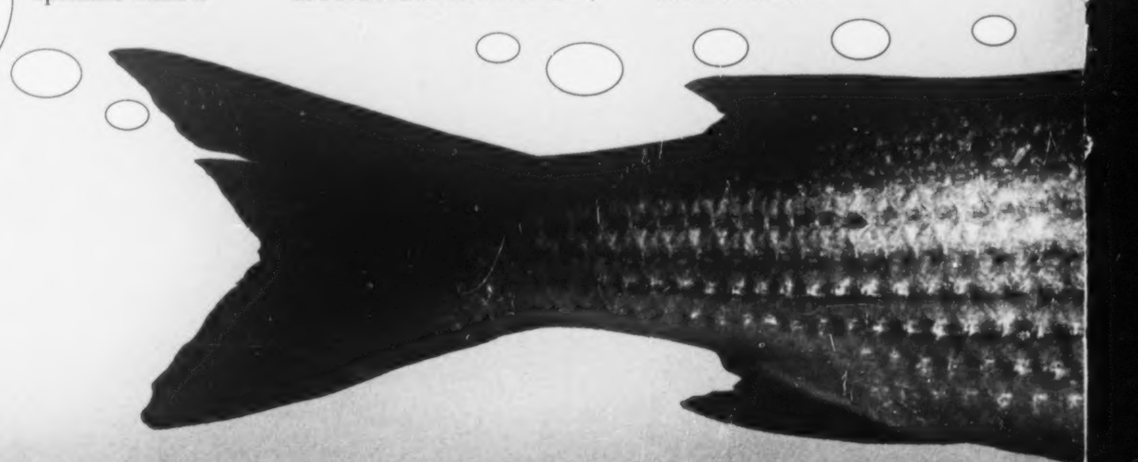
Percentage of sales lost to shrink

Mean **7.4%** Median **8.0%**

The process by which tastes change is a long, gradual one. In the case of fish, it may have to happen one species at a time.

It may very well be that over the long run, supermarkets will benefit from the success of the restaurants. Once consumers have acquired a taste for fish and seafood in the restaurants, they may—with the proper level of care and assistance from the supermarket—be more willing to prepare it themselves.

The questions: How long will it take, and can supermarkets afford to wait? ■



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VOLUME 47/NUMBER 1
JANUARY 1992

THE COMING IMPACT OF WHOLESALE CLUBS

SUPERMARKET BUSINESS

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FEATURES

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WHAT'S THE REAL IMPACT OF WHOLESALE CLUBS? 27

KEN PARTCH

The supermarket industry's passing interest in warehouse clubs has become intense concern, as this new class of trade has grown from $1 billion in 1983 to some $22 billion currently. How real is this threat? Our expert source, the famous "U.F.O." (Unidentified Food Observer) responds.

WHO SHOPS THE CLUBS? LET'S GO SEE FOR OURSELVES, AND SPEAK WITH CONSUMERS 28

DAVID LITWAK

To find out who shops clubs and why, we picked two units with a solid inventory of both food items and GM/HBA, and conducted exit interviews with shoppers. Here's what they bought, and here's why.

ON THE SUBJECT OF IMAGE 35

MICHAEL J. O'CONNOR

Image is a strange animal, made up partly of fact and partly the collective opinions of people who hold your future in their hands. How can you cultivate the image you really need?

WHOLESALE CLUBS: THE NATURE OF THE BEAST 39

DR. DAVID ROGERS

What are the ingredients of a successful wholesale club? What are the earmarks of an "over-clubbed" market? Are there any signs of this format's maturity?

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MAKING A CENTRAL BAKERY PAY 43

DAVID LITWAK

A new store helps make a central bakery and commissary more cost-effective for this Colorado independent; a service-section facelift drives sales even higher.

NONFOODS BUSINESS

HAIR CARE: LOW-END BODY, HIGH-END SHINE, THINNING IN THE MIDDLE 61

FRANK HAMMEL

With all the price competition from discount drugstores and even warehouse clubs, the surprise is that category sales haven't been hurt even more.

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MAKING NONFOODS A MOVING TARGET 65

MIKE DUFF

There's nothing like being under the gun to powerfully concentrate your strategy. Here's what one independent has learned about flexibility from the big behemoth in its market.

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THE 'CLUBS' BECOME AN ISSUE

By Ken Partch, Editor-In-Chief

I have been told that what editorial writers do is come down out of the hills after the battle is over, and then shoot the wounded.

There might be something in that, but from this corner it is usually not because we can't find the right target, or are too inhibited to fire when we do. We've been chided more often than not for opening boxes we didn't know were not supposed to be opened (to mix a metaphor).

In the past, and on many occasions, we have been very critical of exorbitant slotting allowances, and other euphemisms for some of the more odoriferous aspects of the supermarket business. We have not bought the arguments used to justify them, no matter who has uttered them.

But fair is fair. In the cover story of this issue we have tried to give a balanced argument for the pros and cons of wholesale club operations, and related marketing practices. We think the clubs are somewhat over-rated as a serious threat to supermarket retailing, but through our own observations it would seem that the "new business" and "different class of trade" arguments being offered by some manufacturers, to explain their trade and marketing practices, is a dog that really won't hunt, to coin a phrase.

Some years ago, we conducted consumer research in markets served by Price Club, and could discern no great threat to supermarkets because the categories of products and pack sizes were not usually aimed at consumers. Now, based on our latest research and investigation, we think there is a change in format and direction of the clubs that *does* present competition for supermarkets, and a change in brand marketing to clubs that can only be called "unfair."

This is not to say that any form of retailing is not free to challenge the supermarket, whether it is a drug store, discount store, or any other kind of store. After all, that's what the supermarket did to them many years ago. Nobody *owns* a category of merchandise.

But ... the issue of who can buy, and who can sell, whether it is OTC drugs, cosmetics or hammers was settled long ago. Usually, certain classes of trade have been discriminated against for trying to *undersell* a traditional class of trade—not because they *can't* undersell another class of trade. The supermarket itself faced this kind of discrimination in the early years of its operation. Brand manufacturers didn't want to sell to the upstart self-service stores.

Wal-Mart may have opened a can of worms it had no intention of opening.

Whether the founding fathers of the old Super Market Institute would admit it or not today, this was one of the reasons for its establishment. The supermarket needed respectability so that the big brand manufacturers would sell to them. The big chains had all clerk-service stores. Therefore, the largely independent supermarkets felt they needed an organization different from the National Association of Food Chains to represent them, and to provide a place for manufacturers to exhibit products and meet buyers.

Now there is a new kind of discrimination. Manufacturers are saying: "No, you can't get that price, and that deal, and that pack because you represent a *different class of trade.* We're not afraid you'll sell it too cheap. It's just not a supermarket pack." But do they have different customers? "Well, no, but ..."

Is this merchandise being bought for resale or for home use? "Well, it's difficult to say, but this is new business. We even have a different department to handle this business." But many supermarkets have always sold to small foodservice outlets and restaurants, haven't they? Why not let them have these packs if they want them?

Food brokers are going to find themselves up the proverbial creek if they continue to try to paddle in two directions—one for the clubs and one for the retailers. Indeed, brokers are already being put on notice by wholesale and retail buyers. Wal-Mart, already in the club business, must have had some of this in mind when it launched its now famous letter to "principals." But Wal-Mart may have opened up a can of worms it had no intention of opening.

As one wholesaling executive put it to us: "We can't be the policeman. We can't see to it that there really is a level playing field out there. We discovered a vendor who was offering us terms of sale that were clearly not as competitive as he was offering a competing club. We have told this vendor that we will no longer do business with him. But we can't be the cop who sees to it that this is not going on somewhere else. We are putting all our vendors on notice, and all the brokers who call on us."

In a recent pricing study conducted by this magazine, we calculated prices on a unit-price basis for 53 items at Price Club and compared prices of the same items at Super Stop & Shop and Pathmark. Price Club grocery items were 31 percent cheaper than at Super Stop & Shop and 33 percent cheaper than Pathmark.

We also compared prices on 67

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operate at no inventory expense. If the goods aren't on consignment, they move fast enough so that there is no credit charge. This helps permit them to operate on very low margins—as low as 9 to 10 percent—overall.

UFO: Let's see. If a chain matches its inventories against its payables ... and then calculates these totals ... at the end of the year you'll probably find that it was able to operate with the slow movers and all so that all the inventory costs came out of cash flow ... it's probably a wash.

SB: Let's go back to those 1,000 or so SKUs for a minute. If these are all selling as cheaply as some we've checked on, how can the supermarket compete?

UFO: Well, again, let's see. First of all, I'll bet that many of those items are not selling as cheaply as you think. Sure, some are very good buys, but I'll bet that many aren't. If you check the unit price, the supermarket will be very close on many items. And if they want, they can get a lot closer. You'll probably find that the real number is more like 450. The supermarket can easily deal with that. Within the items that count—the traditional markdown items—probably 75 percent are unaffected, where a few points of gross margin can easily be raised.

SB: Would you advertise directly against the club?

UFO: No. Just advertise that you have the lowest prices in town, and demonstrate that on those specific items that you know the club is offering. Advertise these for three months. It means some homework, that's all.

SB: Then there's nothing for the supermarkets to worry about?

UFO: Not unless they're too lazy to deal with the problem.

SB: What do you mean?

UFO. Remember the limited assortment stores that everybody was worrying about a few years ago? Did these box stores hurt the supermarket?

SB: No. Not permanently.

UFO: Right, the warehouse stores took care of them. And then the superwarehouse stores took care of the warehouse stores. Did hypermarkets hurt the supermarket?

SB: Not in most markets. But the super warehouse store did

WHO BUYS FROM CLUBS?

SB GOES SHOPPING FOR THE ANSWER

Membership clubs claim that they're supplying local merchants with the basic necessities to operate their business. A sort of cash and carry warehouse for the small businessman.

Neighboring supermarket operators claim that the clubs are really just low cost "retail" warehouses that cut into their sales. As far as they are concerned, when it comes to food, grocery and HBA items, the club shoppers are strictly retail!

Wholesale to the businessman, or retail—which is it? If it's retail, just how much does the club cut into the sales of surrounding supermarkets? How can they fight back?

To look at the consumer side of the club issue, SUPERMARKET BUSINESS conducted a series of exit interviews with shoppers at two membership clubs.

Fifty shoppers were interviewed at the Price Club (operated by Price Co., San Diego, CA) in North Haven, CT, and 50 at a BJ's unit (operated by B.J.'s Wholesale Clubs, Natick, MA) in Fairfield, CT.

The two were chosen because they both have a solid inventory of supermarket items, including grocery, nonfoods and HBA. Additonally, their trading areas overlap slightly, creating maximum impact on area supermakets.

SUPERMARKET BUSINESS talked to people as they were leaving the clubs about their shopping habits; looked at their orders and register receipts; went into the two clubs to examine merchandise and count SKUs; and ran a price comparison between the clubs and their supermarket competition. The results were enlightening. For instance ...

Myth: *The members of the clubs are all business people, and most of the purchases at the club are business related.*

The fact is that the 50 shoppers we interviewed at each club were shopping for themselves. All of the BJ's shoppers we surveyed, and 96 percent at the Price Club, said everything they bought that day was for themselves and their families. This was true of not only the food and grocery items, but the general merchandise as well. Only two people said that even a portion their purchases were to be used by businesses.

Admittedly, interviewers were instructed not to approach those shoppers who appeared to be purchasing quantities that were obviously destined for resale applications. But despite this bias, it would appear that a large portion of the club's sales, especially in the food and grocery categories, are for home consumption.

Even the clubs' membership policies point to their reliance on non-business sales. While membership qualifications and strictness of enforcement differ from club to club, we found a wide range of consumers qualified for membership,usually through occupational affiliations.

Even if strictly enforced, the so-called membership qualifica-

The Club Shopper

Can supermarkets compete with clubs on price? Yes, if they get the same costs on the same packs. Otherwise there can be a 25% to 33% price differential on 1,200 or more SKUs.

	BJ's	Price Club
Everything purchased is for family* use:	100%	96%
How long have you been a member: (mode)	Since It Opened (38%)	4 yrs (24%)
How often they shop club:	Once/Month (30%) Twice/Month (22%) Once/Week (15%) Once/3 Weeks (13%)	Once/Month (32%) Twice/Month (22%) Once/2 Months(15%) Once/Week (12%)
Distance Travelled To Club:	Mean: 17 miles Mode: 20 miles	18 miles 8-10 miles

Statistics are based on exit interviews of 50 customers at each of the 2 clubs. An effort was made to select interviewees who appeared to be shopping for home consumption, and not business purposes

Spending At The Clubs

How Does The Amount You Spent Today Compare With Your Average Club Shopping Trip?

	BJ's	Price Club
Today I spent:		
More	24%(average = +$45)	16% (average = +$114)
Less	28%(average = -$120)	36% (average = -$57)
About the same	48%	48%

The Average Club Shopping Trip

Total Spent & Amount Spent On Supermarket Items

	BJ's		Price Club	
	Total Spent	Supermarket Items	Total Spent	Supermarket Items
Mean:	$177	$131	$144	$105
Average Club Trip				
Less Than $50	—	9%	—	8%
$51 - $75	17%	30	8%	32
$76 - $100	14	11	38	24
$101 - $150	22	23	24	18
$151 - $200	14	7	14	14
Over $200	33	20	16	4

in many markets.

UFO: Yes, but not where there were good supermarket operators who were paying attention to their business. Correct?

SB: But there is a very bad recession now, into its second year. People are watching their pennies.

UFO: Would you base a retailing concept on a premise that the recession will last forever? Remember Edwards? Remember Heartland?

SB: We hear that the present wholesale club store is a far cry from the original Price Club or the Sam's or BJ's. Is that so?

UFO: Never say "store" when you are talking about a club. It's a warehouse or a building or a unit—never store.

SB: Forgive us. But what's so different? We hear about third generation clubs now.

UFO: Well, you know that Price Club was aimed primarily at the small businessman. For some, there seems to be a shift toward the consumer, in terms of pack and SKUs. There's more perishables and more fresh. You may still have to buy a 20-week supply of Gillette Sensor blades, or a two-year supply of Advil, but people seem to be doing it. They're buying quantities of shampoo and mouthwash as if they're drinking it. You need a mastiff to pull the cart with the dogfood in it, and Dr. Doolittle's canaries to carry the birdseed, but somehow consumers are buying the stuff. Will it last?

SB: What about the perishables?

UFO: In some clubs you see more fresh meat, including choice beef, than you do in some conventional supermarkets. The same with deli meats ... up to 60 and 70 SKUs. The refrigerated and frozen foods are multiplying rapidly. Everything from fresh milk and eggs to yogurt, margarine, butter and cheese to salads and juices. There's enough prepared submarines and pizza to stock an entire take-out food department.

SB: So as the supermarket has been driving up its gross margins with labor-intensive service departments, the warehouse club appears to have improved its operations and handling.

UFO: It looks that way.

SB: So is this another example of the supermarket industry moving over, or overlooking

Share Of Average Club Shopping Expenditure Spent On Supermarket Items

	BJ's	Price Club
Mean:	77%	73%
0% - 25%	7%	6%
26% - 50%	17	26
51% - 75%	17	10
76% - 99%	15	14
100%	44	44
Total	100%	100%

Changes In Club Purchases Of Grocery And Food Products Over Past Few Months

	BJ's	Price Club
Purchases increased	40%	20%
Purchases decreased	9	29
Stayed the same	51	51

Average Total Expenditure By The 50 Households Each Month

BJ's	Price Club
$8,811	$6,975

** Based on the average reported expenditure per trip on supermarket products and the average reported number of trips per month by each household.*

Supermarket Items Most Frequently Purchased At The Clubs*

BJ's	Price Club
1. Juice (17)**	1. Pasta (13)
2. Soda (14)	2. Cookies/Crackers (11)
3. Fresh Meat (13)	3. Juice (11)
4. Produce (12)	4. Soups (9)
5. Eggs (10)	5. Deodorant (9)
6. Milk (10)	6. Bread (8)
7. R-T-E Cereals (10)	7. Paper Towels (8)
8. Cheese (7)	8. Soda (8)
9. Toilet Paper (7)	9. Frozen Shrimp (8)
10. Cookies/Crackers (6)	10. Chicken (7)
11. Bread (6)	11. R-T-E Cereals (7)
12. Pasta (6)	12. Candy/Gum/Mints (7)
13. Laundry Detergent (6)	13. Toilet Paper (5)
14. Sanitary Napkins (5)	14. Produce (5)
15. Personal Soap (5)	15. Video Tape (5)
16. Candy/Gum/Mints (5)	16. Coffee (5)

** Based on the number of shoppers at each club that purchased the item of the 50 that were interviewed.*

What's In The Price Club?

Observed Number Of SKU's In Various Supermarket Product Categories Available At Price Club In North Haven, Ct.

*** The actual number of shoppers among the 50 interviewees that purchased the item the day of the interview.*

Product Category	# SKU's*
Packaged Baked Goods	23
Packaged Snack Cakes	2
Cookies/Crackers	16
Fresh Bakery	8
Milk	1
Eggs	1
Butter	1
Cheese	30
Yogurt	1
Refrigerated Juices	3
Refrigerated Soups	1
Other Dairy	1
Fresh Meats/Chicken/Bacon	6
Sausage/Deli Meats	19
Frozen Poultry Products	2
Frozen Vegetables	3
Frozen Hor d'oeuvres	3
Frrozen Entrees	13
Frozen Meats	7
Frozen Italian Foods	11
Other Frozen Prepared Foods	29
Frozen Fish/Seafood	15
Frozen Fruit	1
Frozen Juice Concentrates	2
Frozen Breakfast Items	2
Frozen Baked Goods	9
Fresh Produce	23
Baby Needs (Diapers/Formula)	4
Baking Needs	21
R-T-E Cereals	8
Oatmeal	2
Toaster Pastries	1
Candy	28
Chewing Gum	34
Canned Vegetables	12
Canned Fish	13
Canned Mexican Products/Sauces	7
Canned Prepared Foods/Chili	9
Canned Soup	17
Instant Soup/Boxed Meals	5
Canned Meats	5
Canned Fruit	6
Canned & Bottled Juices/Drinks	10
Boxed Drinks	4
Apple Sauce	2
Spices	30
Ketchup	2
Mustard	3
Misc. Condiment/Sauces	5
Cooking & Salad Oil	13
Product Category	**# SKU's***
Salad Dressings	6
Olives/Pickles	4
Mayonnaise	7
Rice	3
Breading & Stuffing	3
Instant Potatoes	3
Pasta	9
Grated Cheese	2
Tomato/Spaghetti Sauces	11
Syrup/Honey	6
Jam/Jelly	2
Peanut Butter	2
Chocolate Syrup	1
Dry Milk	2
Coffee	11
Coffee Creamers/Filters	6
Cocoa	4
Soda	10
Snacks (Chips etc.)	27
Dishwashing Detergent/Compounds	5
Laundry Detergents/Supplies	11
Household Cleaners	23
Sponges/Steel Wool	7
Personal Soap	6
Facial Tissues	2
Paper Bags	2
Paper/Plastic Plates & Cups	14
Foil & Plastic Wraps	9
Dog Food	24
Cat Food/Litter	3
Light Bulbs	5
Oral Hygiene Products	7
Shampoo and Hair Care	10
Diet Preparations	4
First Aid Products	2
Vitamins	8
Analgesics	3
Cough/Cold Medications	5
Skin Care	10
Antacids	3
Deodorants	3
Feminine Hygiene Products	4
Total (approximately)	800

**Based on an informal count of SKU's displayed at the Price Club (N.Haven, Ct.) on December 5, 1991. Excludes General* another form of outside competition until it begins to eat the supermarket's lunch or its customers, the way it did with the convenience store?

UFO: I think you've got it.

SB: We also hear that suppliers are providing all sorts of other advantages. We hear about special distribution centers and breakdown centers where product is provided at wholesale cost.

UFO: Could be.

SB: We hear that special consignment deals and special terms of sale are made to the clubs so that the net effect is no cost of inventory.

UFO: You mean terms that are not being offered to the supermarket operators?

SB: Yes.

UFO: You mentioned that before. I do recall the late Herb Brody of Wakefern and Pathmark fame speaking of such things, many years ago. Money management I believe the B-schools call it. I am sure that McKinsey will find out all about that, don't you think?

SB: But if special terms of sale and services are offered to one class of trade and not to another selling the same goods in the same marketplace, isn't that an ipso facto illegality? If I can show that my costs do not permit me to compete, isn't that proof in itself?

UFO: Maybe. But suppose the pack is different? Suppose they say that you, as a supermarket operator, can't handle 55-lb. bags of dog food, or 24-oz. jars of mustard, or a three-pack of canned sardines, or a 64-oz. jar of peanut butter?

SB: How about a gallon of milk or a dozen-and-half eggs?

UFO: You're quibbling. Those are traffic builders.

SB: They sure are. Why aren't the same packs being offered to the supermarkets at

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tions invite a wide cross-section of local consumers into the club, most of whom will only be purchasing for their own home use.

Although the shoppers interviewed gave assurance that the club could never replace the supermarket, they acknowledged buying items in bulk quantities from the clubs that would represent lost sales for their supermarkets in subsequent visits there, because of the low prices. And of course, they tended to pick up additional supermarket items in normal quantities while there.

The average transaction reported by our shoppers at BJ's was $177, while the average tally at Price Club was $144. A third of the BJ's shoppers and 16 percent of those at the Price Club reported that they generally spent over $200.

More important is the amount spent on food, grocery and HBA products. The BJ's shoppers reported spending an average of $131 on supermarket items at the club, while the average was $105 at the Price Club.

But even though the club expenditures for supermarket products are high, the supermarket is cushioned from the full impact of the club by two important factors. The first is the level of convenience and range of products they provide to their customers. Both clubs we studied offer between 800 - 1,200 SKUs of food, other grocery and HBA items, compared with the 25,000 available in most competing supermarkets.

Moreover, the supermarket still is the choice for meat, dairy, produce and bakery items. Even though the clubs, especially BJ's and Costco, offer these categories, they still can't match the supermarket for variety and convenience.

Myth: *The clubs offer mostly foodservice or commercial sizes.*

The fact is that we saw relatively few true foodservice or commercial-size packages of food or household supplies. Almost all items are within the traditional range of sizes sold by supermar-

North Haven Vicinity
Price Comparisons* DECEMBER 14, 1991

Product	Price Club	Super Stop N Shop	Pathmark
Oranges (per orange)	$0.18	$0.25	$0.23
Cheerios (oz.)	0.15	0.20	0.23
Wonder Bread (oz.)	0.06	0.10	0.07
Thomas' English Muffins (oz.)	0.11	0.14	0.06
Hebrew National Franks (frank)	0.36	0.43	0.43
Canned Ham (lb.)	2.20	4.33	4.33
Bacon (lb.)	1.57	1.49	1.99
Bulk or Link Sausage (oz.)	0.15	0.20	0.21
Spaghetti (lb.)	0.46	0.55	0.59
Spaghetti Sauce (oz.)	0.04	0.06	0.07
American Cheese Singles (oz.)	0.15	0.21	0.22
Cheddar Cheese (oz.)	0.12	0.23	0.18
Milk (1/2 gal.)	0.93	1.20	1.39
Margarine (lb.)	0.60	1.79	1.79
Butter (8 oz.)	0.89	0.69	1.09
Eggs (per egg)	0.14	0.10	0.11
Tropicana Orange Juice, refrigerated (96 oz.)	3.69	4.15	4.29
Orange Juice, frozen (oz.)	0.09	0.12	0.05
Stouffers Lasagna, frozen (oz.)	0.21	0.24	0.17
Campbell's Tomato Soup (10 3/4 oz. can)	0.55	0.40	0.65
Skippy's Peanut Butter (12 oz.)	1.67	2.19	2.19
Welch's Grape Jelly (oz.)	0.04	0.03	0.08
Hellmann's Mayonnaise (48 oz.)	3.49	3.28	3.59
Heinz Ketchup (oz.)	0.04	0.05	0.07
Barbecue Sauce (oz.)	0.06	0.12	0.09
M&Ms (lb.)	1.83	2.99	2.99
Oreos (oz.)	0.11	0.16	0.16
Doritos (oz.)	0.14	0.18	0.18
Maxwell House Coffee (oz.)	0.15	0.16	0.12
Sugar (5 lbs.)	1.77	1.99	2.19
Tide, powder (oz.)	0.23	0.10	0.06
Tide, liquid (1/2 gal.)	3.47	3.99	2.89
Bounce Fabric Softener (sheet)	0.04	0.13	0.32
Cascade Dishwashing Powder (oz.)	0.04	0.07	0.06
Paper Towels (ft.)	0.05	0.02	0.01
Plastic Wrap (ft.)	0.01	0.02	0.01
Reynolds Aluminum Foil (ft.)	0.02	0.02	0.02
Purina Dog Chow (lb.)	0.32	0.44	0.44
Purina Cat Chow (lb.)	0.45	1.11	1.14
Cat Litter (lb.)	0.48	0.33	0.17
Maxi Shields (24 ct.)	2.19	2.99	2.99
Toothpaste (oz.)	0.24	0.36	0.39
Advil (per tablet)	0.04	0.15	0.15
Pert Plus Shampoo (oz.)	0.18	0.28	0.27
Disposable Diapers (per diaper)	0.28	0.45	0.20
Secret Solid Deodorant (2.7 oz.)	2.46	3.99	3.99
Listerine Mouthwash (oz.)	0.10	0.10	0.19
Scope Mouthwash (oz.)	0.11	0.18	0.27
TOTAL	$32.66	$42.76	$43.38

Fairfield, CT
Price Comparisons* DECEMBER 15, 1991

Product	BJ's	Stop N Shop	Grand Union
Lettuce (head)	$ 1.00	$ 0.99	$ 0.99
Bananas (lb.)	0.40	0.59	0.59
Potatoes (lb.)	0.30	0.36	0.34
Corn Flakes (oz.)	0.09	0.11	0.11
Cheerios (oz.)	0.17	0.22	0.19
Wonder Bread (22 oz. loaf)	1.11	1.59	1.59
Thomas' English Muffins (48 oz.)	2.48	2.99	2.99
Hebrew National Franks (oz.)	0.08	0.25	0.25
Krakus Canned Ham (lb.)	3.82	4.33	4.33
Bacon (lb.)	1.39	1.99	1.89
Perdue Chicken, whole (lb.)	1.30	1.31	1.29
Bulk or Link Sausage (oz.)	0.13	0.21	0.20
Sirloin Steak (lb.)	0.94	6.19	6.48
Bumble Bee Tuna (6 1/8 oz. can)	1.49	0.99	1.17
Spaghetti (lb.)	0.55	0.59	0.59
Ragu Spaghetti Sauce (oz.)	0.04	0.07	0.07
American Cheese (lb.)	1.74	3.49	3.29
Cheddar Cheese (lb.)	2.69	2.89	2.89
Milk (1/2 gal.)	1.00	1.39	1.39
Fleishmann's Margarine (lb.)	1.12	1.79	1.89
Butter (8 oz.)	0.67	1.09	1.19
Eggs (per egg)	0.07	0.11	0.11
Tropicana Orange Juice, refrigerated (oz.)	0.03	0.04	0.05
Orange Juice, frozen (oz.)	0.08	0.07	0.07
Corn, frozen (oz.)	0.09	0.10	0.10
Stouffer's Lasagna, frozen (oz.)	0.15	0.17	0.17
Elio's Pizza, frozen (24 oz.)	2.14	3.69	3.79
Green Giant Peas, can (15 oz.)	0.48	0.79	0.79
Campbell's Tomato Soup (oz.)	0.03	0.06	0.05
Skippy's Peanut Butter (oz.)	0.10	0.18	0.14
Welch's Grape Jelly (oz.)	0.04	0.08	0.08
Hellmann's Mayonnaise (48 oz.)	3.55	3.55	3.49
Heinz Ketchup (oz.)	0.05	0.07	0.07
Hunts Barbecue Sauce (oz.)	0.04	0.09	0.09
M&Ms (lb.)	1.86	2.99	2.99
Oreos (oz.)	0.12	0.16	0.16
Lays Potato Chips (oz.)	0.13	0.23	0.23
Doritos (oz.)	0.15	0.18	0.18
Pepsi (2 ltr.)	1.12	1.12	1.12
Diet Coke (2 ltr.)	1.10	1.19	1.19
Maxwell House Coffee (oz.)	0.13	0.12	0.20
Lipton Tea (per tea bag)	0.07	0.04	0.03
Sugar (5 lbs.)	1.64	2.09	2.29
Tide, powder (oz.)	0.07	0.06	0.07
Tide, liquid (gal.)	6.75	5.69	5.49
Bounce Fabric Softener (sheet)	0.05	0.07	0.06
Cascade Dishwashing Powder (oz.)	0.04	0.06	0.06
Paper Towels (68.7 ft.)	0.47	0.75	0.65
Charmin Toilet Paper (roll)	0.23	0.27	0.40
Reynolds Aluminum Foil (100 ft.)	3.00	2.40	2.40
Dog Chow (lb.)	0.31	0.50	0.46
Dry Cat Food (lb.)	0.50	1.00	1.14
Tidy Cat 3 Cat Litter (lb.)	0.14	0.17	0.24
Stayfree Maxi Shields (24 ct.)	2.00	2.99	2.99
Crest Toothpaste (oz.)	0.26	0.36	0.39
Advil (per tablet)	0.04	0.15	0.15
Pert Plus Shampoo (oz.)	0.18	0.12	0.28
Pampers (per diaper)	0.28	0.20	0.20
Secret Solid Deodorant (2.7 oz.)	2.60	3.99	3.99
Listerine Mouthwash (oz.)	0.10	0.24	0.24
Scope Mouthwash (oz.)	0.11	0.22	0.27
Gillette Trac II (per razor)	0.43	0.72	0.72
Marlboro Cigarettes (10 pack)	19.22	19.59	20.25
TOTAL	$73.83	$92.09	$93.55

*Price comparisons are based on products carried by each club and the 2 supermarkets that it is compared to. Since each club carries different products and brands, they cannot be directly compared to each other, or the supermarkets used in the comparisons to the other club.

Since the clubs sell mostly multi-pack items that are not carried by the supermarkets, most items are compared based on the unit costs. These are expressed in either ounces, pounds, or by piece counts. The unit costs of the items in the supermarkets were derived by using the size of the supermarket package of the product that was closest to the size of the club product. Wherever the club and the supermarket sold the same size package (non multi-pack), the price of the whole package was used in the comparisons. BJ's sold more of the products in the same size packages as the supermarkets, therefore more whole packages and fewer unit costs were used in its comparisons, which is why the totals are much higher for the BJ's comparisons.

IMPACT OF CLUBS

Price Club has not, as yet, moved as deeply into grocery lines as other clubs, nor are price differentials as deep.

Can supermarkets compete? Of course they can, with more variety and with the same items week after week.

the same cost? Let them decide.

UFO: How do you know what the cost is to the clubs?

SB: The supermarket knows what the cost is to it, and knows whether or not it can sell the same items at the same price as the clubs.

UFO: Is it a bargain for the consumer?

SB: Of course it is.

UFO: And do you expect the Federal Trade Commission to prevent the consumer from getting a bargain?

SB: Let's suppose that the manufacturers make the same packs and terms available to the supermarkets as they do to the clubs. Can the supermarkets compete?

UFO: Of course they can.

SB: How?

UFO: Let's suppose that the clubs have 1,000 or even 1,200 SKUs of food and groceries that make sense to the consumer. The supermarket has 20,000 or 25,000 items and all sorts of services. What's more, the supermarket has variety, and has the same items week after week.

How many of those 1,200 items would you say are really bargains? Would you say half? Probably not more than 450 that anybody can remember the prices on. (If you can't remember the price, you don't know whether it is a bargain or not.) These are probably the items that you traditionally mark down in your ads. You probably wouldn't have to go much deeper to meet the club.

All the supermarket operator has to do is go out and shop the club in his market. You, as a supermarket operator, have an awful lot of items and categories where a few points of gross margin will get back the markdowns. You just have to do a little work.

SB: Are you saying that there is nothing inherently different about the clubs that gives them an edge? We hear that they have refined their costs, their operations, while the supers have allowed their grosses to get out of line.

UFO: There is always some of that. Whenever you keep adding costs, labor and services and try to pass all the increases on to the consumer, there is always somebody to remind you what business you are in. There is always that danger.

But I repeat: There are no mysteries. There is always the temptation to throw open the doors of the warehouse and to try to eliminate the stores. Wholesalers have tried it. There are already markets where the clubs do not do well. Take Chicago. Cub did not do well in Chicago. Auchan did not do well in Chicago. And most of the clubs do not seem to be doing well in Chicago. Chicago should be investigated. Perhaps there is something basic for the supermarkets to learn from Chicago.

SB: So you're saying that all the supermarket operator has to do is do what he does best. Is that it? That the club doesn't represent a new form of retailing that is going to hurt his future?

UFO: You have to pay attention to every form of retailing that competes for grocery dollars. But it can be done. The 24-hour, seven-day-a week supermarket eventually took care of the convenience store, with the help of the over-arrogance and the over-building of the convenience store industry.

SB: Could it be that the manufacturers are sending the conventional supermarket operators a lesson about slotting allowances and entrance fees in their dealings with clubs?

UFO: It doesn't have to be that deliberate or that conscious. It is natural to move toward alternative methods of selling product if it looks attractive enough. The clubs can move big quantities of some products at low cost. The tickets are high, which helps the clubs and the manufacturers.

SB: Isn't it unfair to the supermarkets who stock thousands and thousands of items regularly—slow movers as well as fast movers? Isn't this "class of trade" argument phony? The manufacturers say this is new business. Isn't this unfair business?

UFO: It might seem so, but that's life. And that's business. Are the clubs beginning to stock the same items regularly? Not so many "ins" and "outs"?

SB: It seems so.

UFO: Then either the prices are not as hot as you think they are across the board, or something else is going on. Perhaps what is needed is some in-depth pricing analysis at the store—er, ... warehouse .. the club.

SB: That's just what we did in the pages that follow.

CLUB SHOPPERS

kets, although many were at the larger end of the size range.

Virtually all the dry grocery items, both food and nonfood, were sold in multi-packs. In many cases these multi-packs simply consisted of two or three consumer-sized bottles, cans or boxes of an item over–wrapped.

It would appear that the container sizes of most of the products were too small for foodservice use, and the over–wrapped multi-packs would be inappropriate for smaller retailers to break up for resale—they would be more inclined to buy by the case. Notable exceptions were many of the produce items and some of the frozen prepared foods, which were in fact geared to a small foodservice operation.

Myth: *Consumers who purchase food at clubs usually have large families, and are attracted to the bulk quantities.*

The overwhelming majority of shoppers interviewed at the two clubs did not have large families. The average household of these shoppers included three or four people. There were twice as many two-person households represented as there were five– or six-member households.

Sheer price is, by far, the reason given most frequently by shoppers for patronizing the clubs. While some mentioned the convenience of buying in bulk, others consider bulk purchasing an inconvenience.

Are the clubs really cheaper? We priced some of the standard grocery items at BJ's, Price Club and two supermarket competitors of each. Since both clubs did not carry the same items and brands, their prices are not directly comparable to one another.

Since the club packs tended to be larger than package sizes in the supermarkets, we generally compared prices on a unit cost basis. Whenever identical package sizes were encountered, we used full retail price for the comparison.

We found prices at the clubs were considerably lower than those of their competing supermarkets. BJ's was about 26 percent below the average for Stop & Shop and Grand Union, while Price Club was 31 percent less expensive than Super Stop & Shop and Pathmark, significant in that the latter two chains are known for sharp pricing.

But, even when faced with a successful club such as the two we visited, the supermarket operator can fight back. Many have begun to sell more bulk items, especially in the paper goods, pet foods and dry grocery aisles.

A large chain or grocery wholesaler should have enough clout with the manufacturer to demand the same treatment that the clubs may be receiving. Price Company, with its current 73 U.S. and 12 Canadian units, may be the biggest volume mover among the clubs ... but surely a large supermarket operator can offer the manufacturer the same kind of product movement.

If there is one piece of advice offered by retailers we've talked to, it is "don't panic." Take the clubs seriously, but remember there is a lot more competition out there than just the clubs, most of it more threatening.

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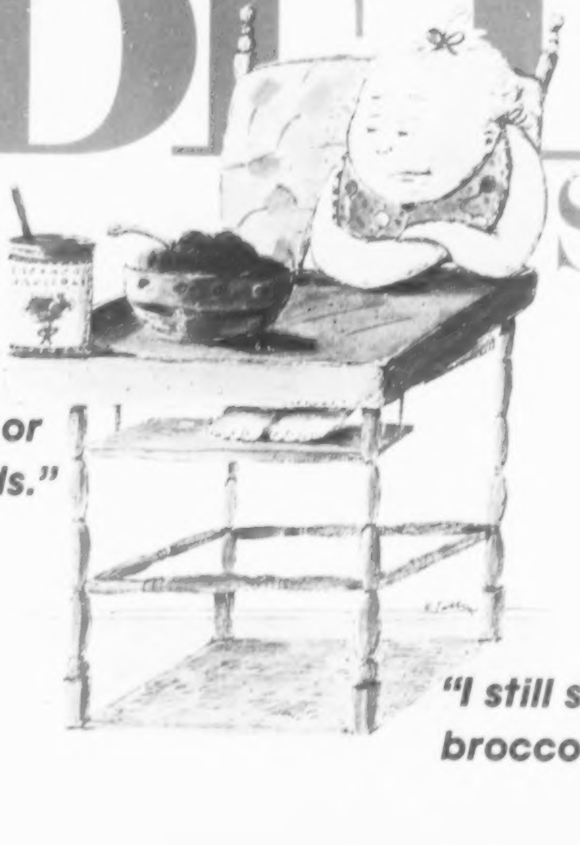
PRIVATE LABELS

THE REAL STORY



"Our private labels are equal or superior to the national brands."
—The management

"I still say it's broccoli...

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NUMBER 2

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PRIVATE LABELS: THE REAL STORY JACK COHEN **25**

In the past, private labels have been treated like not-too-respectable relatives-with taboo-like silence. But more and more operators are learning how to use them. Here's what to expect in terms of performance, gross profit, and the total store mix.

THE SECRET TO SEAFOOD SUCCESS: KNOWLEDGE MIKE DUFF **31**

What should you do to help your seafood section do even better? If your seafood staff can't give you a good answer, perhaps it's time to ask yourself what kind of training program you really need. Here's what some operators have discovered about doing the job right.

ON THE SUBJECT OF IMAGE MICHAEL J. O'CONNOR **41**

To be truly effective, a corporate philosophy must be, ironically, a very personal thing. What are the common denominators of the best and most successful corporate philosophies? In Part II of our focus on image, we look for some answers.

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10TH ANNUAL SERVICE DELI OPERATIONS REVIEW
DAVID LITWAK **45**

News from the instore deli front is mixed, according to our benchmark 10th annual Operations Review. Happily, despite recession the deli held its own, posting gains in total volume, profitability, space and labor productivity. But no headway was made in attracting more shoppers to the deli counter.

STAYING THE COURSE IN TOUGH TIMES FRANK HAMMEL **63**

The recession has hit the Northeast harder, perhaps, than anywhere. But you'd never know it by Bill Michas's newest upscale Super Foodtown store in Whippany, New Jersey. What's going on here instore?

MAXIMIZING THE DELI BOTTOM LINE JIM DUCHEK **82**

During the holiday period, you were probably preoccupied with trying to push—or even just keep up with—seasonal volume. Now, with the new year's first quarter well underway, it's time to examine the profitability of your deli sales.

NONFOODS BUSINESS

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NO RECESSION FOR CATS AND DOGS? FRANK HAMMEL **87**

Consumers may be tightening their belts-but they're not tightening their pet collars. Here's the latest look at how all those new premium pussycat and pooch foods are performing.

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Cover Illustration: Debbie Tilley

SOME CRACKS IN THE WALL

By Ken Partch,
Editor-In-Chief

Since 1974, to pick a date, pricing in this industry has been in turmoil. That was when President Nixon gave us price controls in an effort to control inflation. It didn't work, of course, since it dealt with effects rather than causes. The net effect was to virtually eliminate list prices of most groceries. The list price became the place from which to deal. Dealing became the way of life.

This is the history from which we have been trying to recover ever since—and without too much success. But now, the first cracks in the wall of silliness in marketing and pricing chaos have begun to appear. They're not big cracks, but cracks do have a way of spreading.

The first crack might be said to be the pressure of severe recession, and the need to cut waste out of the marketing and distribution system. The next crack might be the need for manufacturing giants such as Procter & Gamble to try to restructure sales and marketing to meet their corporate objectives as innovative, brand-oriented, consumer products companies. Procter says it needs to spend more on consumer advertising and less on sales promotion—an admirable desire for a consumer demand-driven company, as it says it is.

"We think it's more important to put our effort into product innovation, such as compact detergents and one-step shampoos, and then to convey that message to consumers. The best way to do that is through consumer advertising," says a P&G spokesman. "Secondly, the integrity of pricing is undermined when the shelf-to-ad price ratio begins to differ by up to 50 percent. The consumer no longer knows what the fair price is. Consumers are questioning the integrity of the whole pricing system.

"The consumer no longer knows what the best buy is, when the 22-oz. size is heavily promoted against the 46-oz. size. There is a ripple effect, and these practices affect inventory, labor cost, cost of inventory, store-level merchandising, even out-of-stocks. When we show the distributor CEO the costs involved in this kind of pricing, promotion and merchandising, we have no trouble in convincing him that we are right."

No doubt, we reply. And what do the buyers and merchandisers say, and what does the CEO reply, and what does he tell them to do? He may well say, "That's all very well, but get the money anyway."

Some issues are refusing to be plastered over with seemingly seamless coatings of platitudes such as 'partnering.'

Procter claims that it is trying to do no less than to re-establish the list price, and an everyday low price. It does not intend to eliminate all promotions and deals. There will still be what the company calls the Flexible Marketing Agreements, where the distributor can pretty much do whatever he wants. However, the P&G people insist, "Allowances do not reward the consumer. They reward brand switching."

Can Procter pull it off? A company with more Number One and Number Two brands in more categories than any other certainly has a chance. The nay-sayers are already saying nay. The reactions are mixed. Some, both suppliers and distributors, are even praising P&G, and wishing it luck.

How much has all this to do with the so-called shift in power to the distributor? How much has it to do with the furor over the class of trade issues? It is no secret that some powerful alternative channels of distribution to the consumer do exist. This was clearly pointed out in the McKinsey & Co. report at the Food Marketing Institute Midwinter Conference last month. The clubs are growing, with real operating cost advantages and real advantages in prices. (See SB, Jan. cover story.)

The next crack in the wall of indifferent, free-for-all, *laissez faire* marketing is the Ten Point Addendum to the Fairness Statement of the National Grocers Association. Although it is too early for much formal reaction, the National Food Brokers Association (NFBA) and the Grocery Manufacturers of America (GMA) have already expressed favorable interest. (See p.9 in this issue.)

The statement spells out in detail the thornier issues of today's marketplace, such as packs and prices, terms of sale, and modes of distribution. "It is not a statement of weakness or of concession," says NGA President Tom Zaucha. "It is a statement that provides points of leverage for both supplier and distributor.

"This is a statement that provides a place for both sides in the buyer/seller relationship that says, 'we both agree that this kind of behavior is unfair, whether it be a contention over coupon charge-backs, off-invoice charges, or backhaul. This is a place to deal with the issue while it is a $40 issue, rather than a $40,000 issue.' "

While the issues of everyday low price, rather than high price-deep deal, are separate from marketplace abuses, such as ignored coupon charge-backs, unfair invoice deduction, unfair terms of payment and delivered packs and costs, they are

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SUPERMARKET BUSINESS
instore BUSINESS

THE SERVICE DELI

CAN ITS UPSWING SURVIVE THE DOWNTURN?

BY DAVID LITWAK

Service deli volume and profits grew again in 1991. But with the economy still a question mark, retailers hope the section's prepared foods and other enticements won't be a tougher (and less profitable) sell in 1992.

At the midpoint of 1991, a SUPERMARKET BUSINESS opinion survey revealed that the recession's impact was affecting customer deli spending, but not in any radical way.

Now that the results of our Tenth Annual Service Deli Operations Review are in for the entire year, it's clear that the department more than held its own, despite the aura of cautious consumer spending.

Measured by such growth yardsticks as total volume, profitability, space and labor productivity and presence in new and remodeled supermarkets, 1991 was a good year for the department, especially under the circumstances.

However, some results may represent telltale signs of the economy's effect. For the first time, the rate of identical store deli sales growth (factoring out departments newly opened in 1991) did not match the double digits of previous years. In addition, the number of departments posting flat or down years was greater than that reported in last year's survey. Finally, operators appeared to make no headway in the campaign to attract a greater number of store shoppers to the department.

Let's take a closer look at what retailers told us about all phases of the department's 1991 performance.

Sales posted by supermarket service delis reached a new high in 1991, totaling $14.7 billion. This sum represents a substantial increase (14.9 percent) over the $12.8 billion performance in 1990.

With an increase of almost 15 percent, one could postulate that there was no slowdown in deli growth last year, and that the economy may have even spurred deli sales, since 1991's growth was larger than 1990's (10.4 percent).

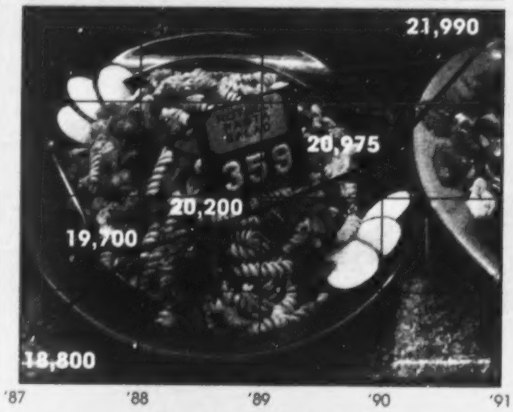
THE SERVICE DELI

CENSUS

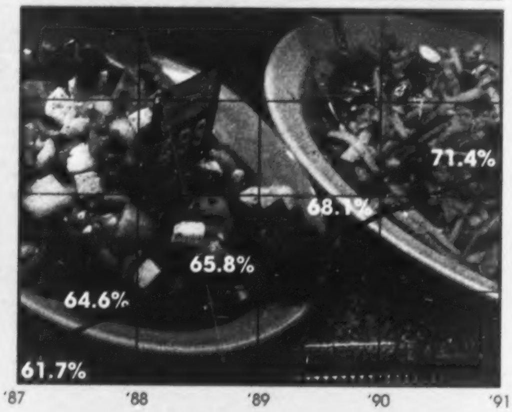
These days, if you're in a supermarket, you're likely to find a staffed deli department. There are now nearly 22,000 service delis operating in the nation's supermarkets. This means that 71.4 percent of the supermarkets do have some form of a service deli in them. This is the first time that deli penetration has exceeded the 70 percent mark. It also means that the department has spread throughout the country and to all types of formats. You are now as likely to find a service deli in South Dakota as in New Jersey, even in the smallest conventional units.

The addition of 1,015 new deli units last year was, in part, responsible for an increase of 14.9 percent in total deli sales in 1991. Among individual delis, the average weekly sales topped out at $12,823. This represents an increase of 9.6 percent over 1990's weekly sales of $11,700. However, it should also be noted that 1991 was the first year in which the deli failed to achieve double digit sales growth.

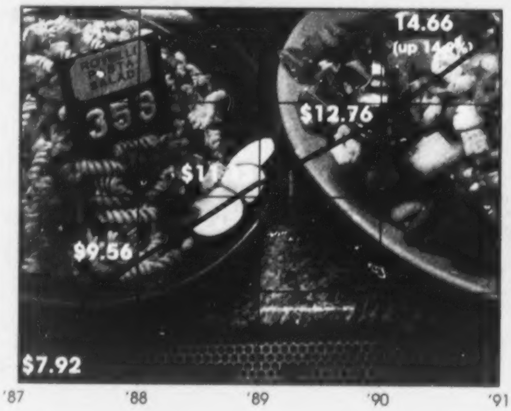
Service Deli Units



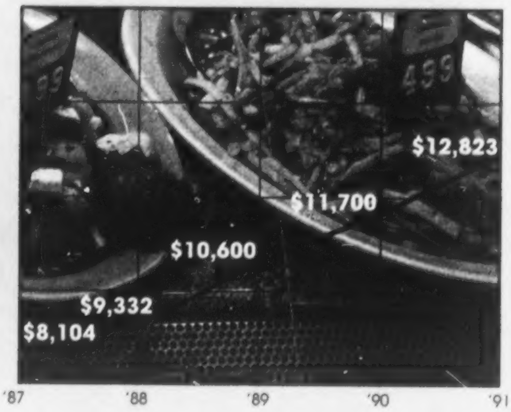
Percentage of Supermarkets



Annual Sales (billions)



Average Weekly Sales Per Service Deli



In 1991, deli sales rose to their highest level ever, at $14.66 billion. This performance may have softened some operators' fears about the recession's impact on their instore departments.

However, a major reason for the spiral was the substantial increase in the number of supermarkets that had deli sections. In 1990, there were 20,975 delis in supermarkets. By the end of last year, that number had jumped to 21,990, a gain of 1,015 deli units.

That increase in the number of units was larger than the annual department growth rate that we have been seeing over the last few years. Most of these units, whether in new or remodeled stores, were on the drawing board before the economy reached its current state.

Slower Growth

Moreover, the average store sales growth rate takes a plunge when the volume of the newly-opened departments is factored out. While healthy at 9.6 percent last year, the figure was below 1990's result.

Bringing this down to the individual deli level, in 1991 the weekly sales per deli averaged $12,823. This was a 9.6 percent increase over the $11,700 weekly sales that delis brought in just a year before.

Given the predictions of gloom that abounded during the year, an increase of 9.6 percent is very good. However, 1991 was the first year in which deli sales did not achieve double digit growth across the board, so some slowdown in departmental sales growth has taken place.

In another example, operators reported that 83 percent of their stores experienced higher deli sales in 1991. But 11 percent posted no change in deli sales levels, and six percent suffered decreases, a greater percentage of stores with flat or reduced sales than was reported last year. In response to the same question in 1990, 91 percent of the delis reported higher deli sales than in 1989, while only seven percent had flat sales and only two percent reported that their sales decreased versus the previous year.

So even though the department did well overall, there were more stores with struggling delis than ever before.

Everything is relative

By and large, the deli appears to have done better in 1991 than the store as a whole, at least in terms of sales growth. The deli department's average distribution rate in 1991 was 4.7 percent last year. This was an increase from the average of 4.3 percent the previous year.

Perhaps more important is the deli's enhanced position as a profit- maker in many stores. The average share of total store profits contributed by the deli increased to 17.9 percent last year, from 14.6 percent.

This was due in part to the deli's increased volume distribution, as well as the greater profitability of those sales. The average departmental gross margin rose slightly in 1991 to 43 percent, with 28 percent of retailers reporting deli grosses exceeding 45 percent.

Labor numbers constituted another bright spot contributing to deli profitability in 1991,

THE SERVICE DELI

SPACE

The average increase in service deli footage last year was 40 sq. ft. The small increase in the physical size of the deli is in keeping with the general leveling-off of the size of new supermarkets of late.

At 1,510 sq. ft., the deli now occupies an average of 4.0 percent of the total space in the store. This is no real change from its position a year ago. Because sales have increased without an accompanying increase in footage, weekly sales per square foot rose last year. On average, each square foot of deli space produced $8.49 in weekly sales in 1991, up from $7.96 in 1990.

European-style display cases are still the most popular among deli directors. Seventy-two percent prefer that style to the more traditional design, whether or not they currently use them in their sections.

Size of Department

Square Feet of Space	
Mean	1,510
Median	1,325
By Store Format	
Conventional	1,080
Superstore	2,175
Superwarehouse	2,035

Square Feet of Space	
Mean	4.0 %
Median	3.7 %
By Store Format	
Conventional	4.3 %
Superstore	4.7 %
Superwarehouse	3.3 %

The Deli-Bake Concept

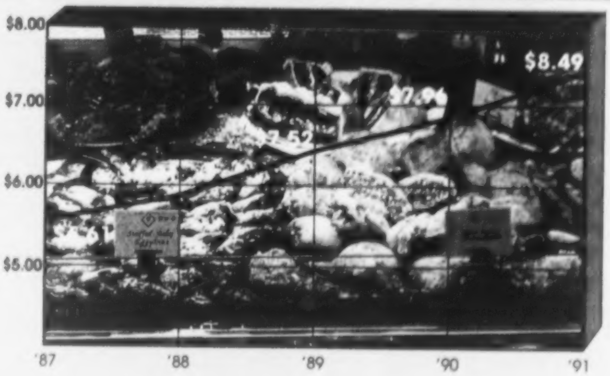
Stores Combining Delis and Bakeries into a Joint Deli-Bake Department	
Joint deli-bake	28 %
Separate departments	72 %
Total	100 %

Popularity of Display Case Styles

Percent Likely to Use in Upcoming Installations	
Joint Delibake	72 %
Separate departments	28 %
Both	0 %
Total	100 %

Average Weekly Sales Per Square Foot of Space

Mean	$8.49
By Store Format	
Conventional	$9.33
Superstore	7.54
Superwarehouse	8.35



Deli size has stabilized. For the second year in a row, delis have not expanded. The average deli section in 1991 occupied 1,510 square feet, including prep space.

with costs down and productivity on the increase. In 1990, 17.6 percent of the department's sales were eaten up by labor costs, a bite that dropped to 17.2 percent in 1991; a small change no doubt, but a move in the right direction.

On average, it took the equivalent of 6.6 full-time employees to run the department in 1991, down from the 7.2 needed in 1990. But that represents a bit of a shift in the full to part-time ratio. Last year, the average deli was staffed by the equivalent average of 3.9 full-time employees compared with 3.4 in 1990. The average number of part-timers dropped to 5.3 from 1990's level of 7.6.

With sales up and fewer people behind the counter, the average weekly sales per deli employee topped out at $1,942, an increase of $317 from last year. Over the past five years, weekly sales per deli employee have nearly doubled. In 1986, a deli employee could be expected to bring in about $1,087 per week.

Labor costs are decreasing in the deli despite the expansion of more sophisticated and complicated prepared foods. The main reason is that supermarket delis are buying more of those products from foodservice vendors.

For example, the percentage of prepared salads that are bought rather than made by supermarket delis has gone up. In 1990, 57 percent of the stores were buying at least some of their prepared salads from foodservice manufacturers, while an identical percentage said they bought some from foodservice wholesalers and distributors. In 1991, 64 percent bought prepared salads directly from foodservice manufacturers, while 63 percent purchased some of their salads from foodservice wholesalers and distributors.

While the purchase of prepared salads has increased, the number of stores making their own remained flat. The same 48 percent of delis preparing some of their own salads instore from scratch in 1990 were still at it in 1991. Those stores that received prepared salads from a central company commissary decreased to nine percent in 1991.

The same for entrees

Foodservice purveyors are also gaining a greater portion of supermarket delis' prepared entree business as well. Forty-eight percent of the sales of prepared entrees in the deli come from items bought from a foodservice wholesaler or distributor. An additional 23 percent comes from selections purchased directly from foodservice manufacturers.

Overall, 71 percent of the prepared entrees sold in supermarket delis come from foodservice purveyors. Despite the hype about instore preparation, and the publicity surrounding the emergence of "chefs in the supermarket deli," most cooking is done somewhere else, by someone else.

So how much is prepared instore? Items representing about 23 percent of sales dollars. Another six percent

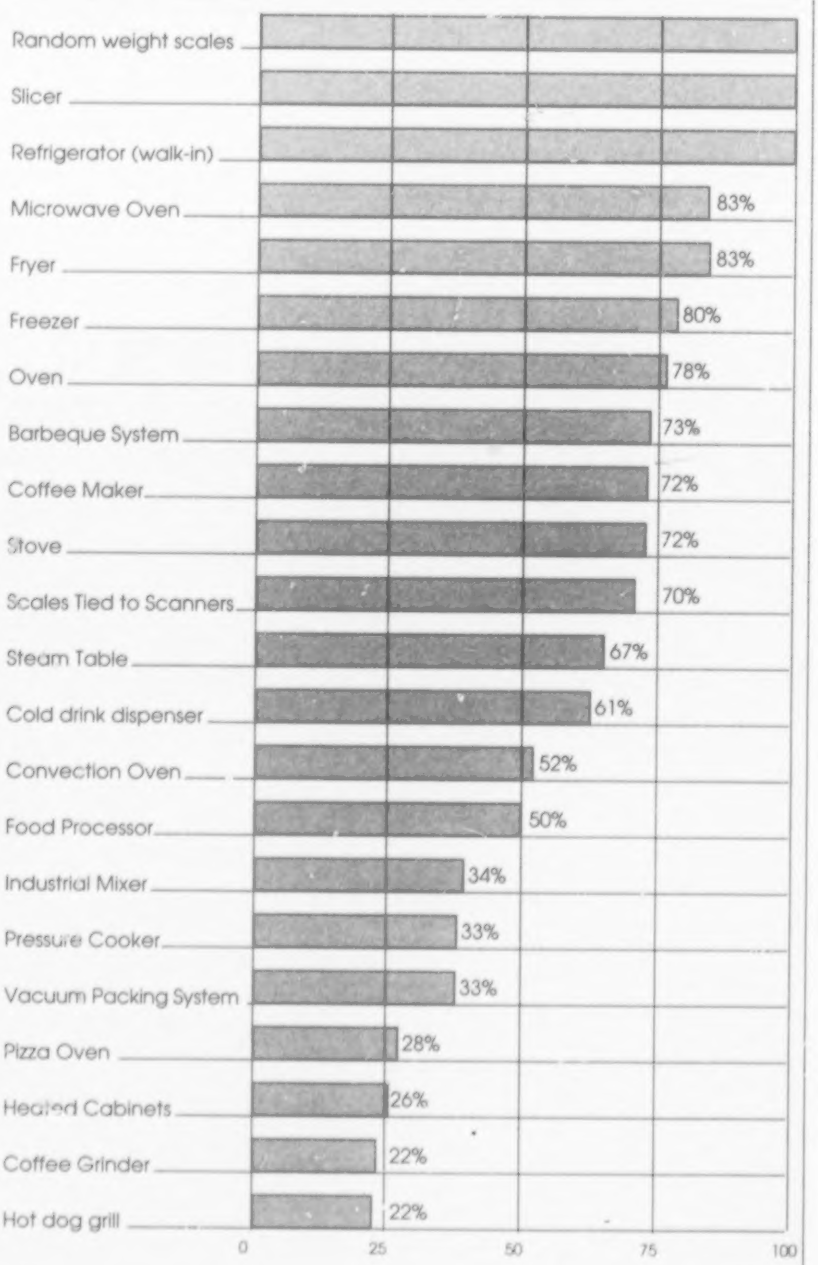
THE SERVICE DELI

LOCATION & EQUIPMENT

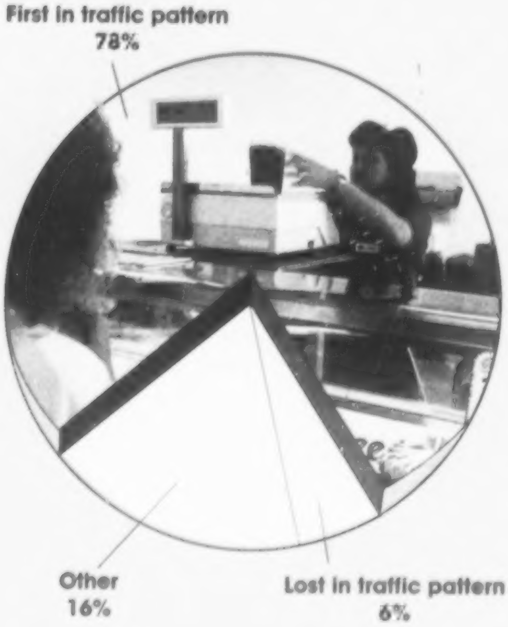
The supermarket deli continued its headlong pursuit of the latest gadgetry last year. Many operators have increased their stockpile of foodservice related equipment. The largest increases were among those types of equipment that speed prepared food production, such as fryers, convection ovens, barbecue systems, stoves and mixers.

Many retailers added vacuum-packing systems to their equipment lists last year. This indicates that they will be packaging more of their own sliced meats and cheeses, as well as prepared foods. Operators who have done so in the past generally report success in merchandising these store-packed products.

The Well-Equipped Service Deli Percentage of Stores That Have



Preferred Location for Service Deli



Already loaded down with a variety of equipment, many supermarket deli operators invested in still more, with particular emphasis on units that facilitate the quick production of prepared food items.

comes from those entrees prepared by the retailer, but at a central kitchen or commissary.

All this out-of-store preparation not only means fewer employees are needed, but also that employees can spend the bulk of their time servicing the customers. Almost two-thirds of the labor hours are spent in customer service (63%), while the rest (37%) is spent doing other chores including maintenance. Sales of entrees and other prepared items increased as a portion of total deli sales last year.

Hot entree sales rose from 5.3 percent of total business in 1990 to 6.2 percent in 1991. Refrigerated entrees accounted for 5.6 percent, better than 1990's 4.5 percent. Pizza sales moved up to an 8.0 percent share of the deli's sales, and sandwiches improved to 7.7 percent of sales.

Sales of cooked chicken, primarily barbequed, fried and broasted, rose to 10.5 percent from 9.3 percent in 1990. That gain was boosted by the increased popularity of poultry products in general.

While sales of those products were rising, the volume in prepared salads was falling. Salad items, with the key items including potato salad, cole slaw and macaroni salad, dropped to just 11.1 percent of deli sales in 1991. If current trends continue, the sales of chicken alone would overcome all prepared salads in the next year or two.

Continued

THE SERVICE DELI

SALES MARGINS AND PRODUCT MIX

The gain in deli sales was enjoyed by the majority of units last year (83 percent). One portent of times ahead may be that the number of delis that did not experience any change in sales last year, or that actually lost sales (11 and six percent respectively) increased over 1990 levels.

The deli also gained slightly in its share of store sales; the department now accounts for 4.7 percent of total store sales, and is contributing an average of 17.9 percent of the total store's profits. This increase in profit was helped by a slight increase in the average gross margin of the section (43 percent).

Sliced meats still dominate deli sales and held steady as to their share of the section's sales. Most of the prepared foods, especially chicken products and hot and refrigerated entrees, increased their importance to total deli sales. Cheeses and prepared salads lost significant chunks of business in 1991.

Average Weekly Sales

Mean **$12,820** Median **$11,970**

By Store Format

Conventional	$10,080
Superstore	$16,400
Superwarehouse	$17,000

Share of Total Store Sales

Mean **4.7%** Median **4.2%**

By Store Format

Conventional	5.31 %
Superstore	4.27
Superwarehouse	2.99

Change in Dollar Sales ('91 vs. '90)

Higher	83 %
No Change	11
Lower	6
Total	100%
Average reported increase	8.0%

Do You Consider Your Delis

Image/traffic builders	5 %
Profit centers	17
Both	78
Total	100%

Contribution to Store Profits

Mean **17.9** Median **18.9**

Percent of Store Profit

Less than 8.0%	1%
8.0-9.9%	6
10.0-11.9%	26
12.0-14.0	35
15.0 or more	32
Total	100%

Gross Margin

Mean **43.0%** Median **40.0%**

Less than 35%	7 %
35-39	29
40-44	36
45-49	15
50 or more	13
Total	100%

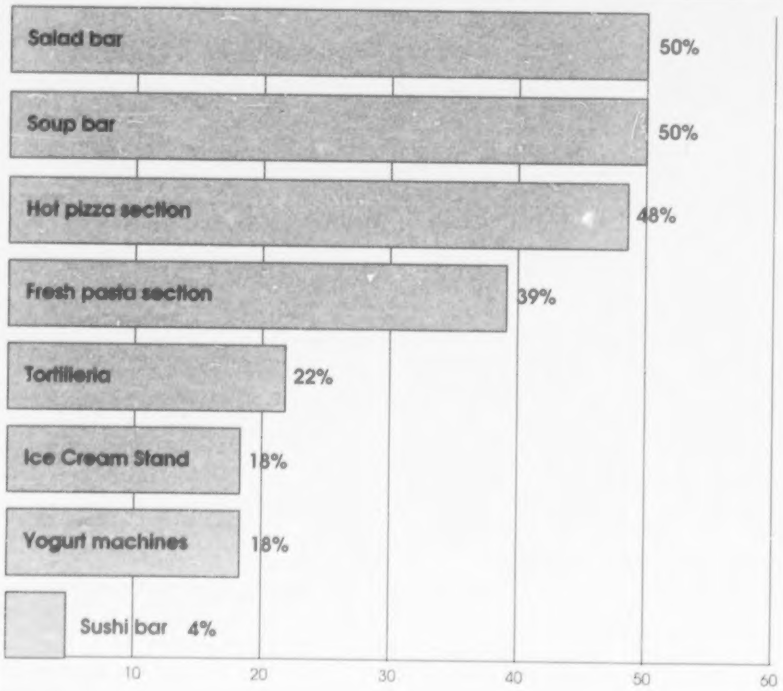
Items Dropped or Decreased

- Soups

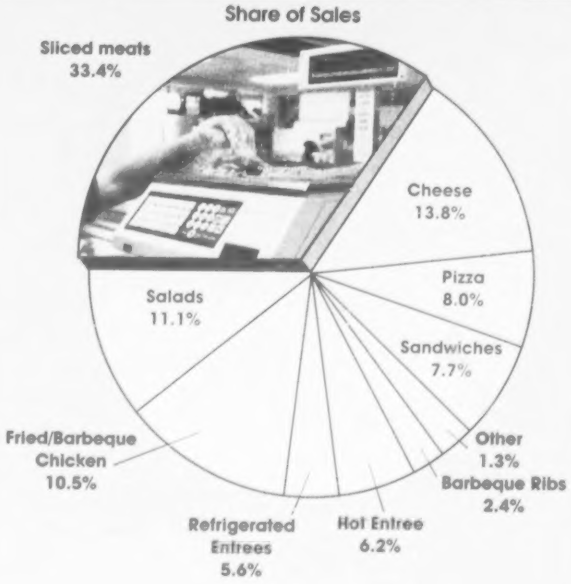
Service Deli Items/Lines Most Frequently Added or Increased

- Microwave Entrees
- Pizza
- Salads
- Store Packaged Cold Cuts

Percentage of Companies Offering Each Type of Product Section as Part of Service Deli



Portioning Out the Service Deli Sales Dollar



THE SERVICE DELI

LABOR & SERVICE

The deli is working smarter, it seems. Last year the average department was operated by the equivalent of 6.6 full-time employees, as opposed to the 7.2 needed the year before. This resulted in a saving for the department, which spent just 17.2 percent of sales for labor in 1991 as opposed to 17.9 percent in 1990.

There was a shift to more full-time employees in the deli last year. The average deli now employs 3.9 full-timers and 5.3 part-timers, in 1990 the figures were 3.4 and 7.6 respectively. This reduction in labor combined with better volume produced an increase in the average weekly sales per employee to $1,942 in 1991.

Deli employees still spend almost two-thirds of their time helping customers. Operators can't seem to agree on the future of the service/self-service ratio. However, most are offering more pre-packaged self-service products, with salads and desserts leading the way in the conversion thus far.

Number of Employees

Full-time	3.9
Part-time	5.3
Full-time Equivalent*	6.6

Full-Time Equivalent Employees*

Fewer than 4	11%
4-5	19
6-7	33
8-10	19
11 or more	18
Total	100%

*two part=time= one full-time employee

Average Weekly Sales Per Employee*

Mean	$1.942
$750 or less	1%
751-$1,000	14
$1,001-$1,500	43
$1,501-$2,000	27
Over $2,000	15
Total	100%

*Full-time equivalent employees

Special Area for Consuming Foods/Drink From Deli On Premises

Percentage of Companies Offering

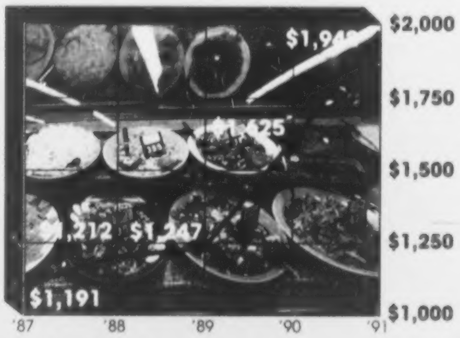
Have facilities	73%
No facilities	27
Total	100%

How Much for Labor

(Labor as percentage of Service Deli Sales)

Mean	17.2%
Median	16.8%
10-15%	15%
16-20	36
21-25	32
26-30	16
Over30	1
Total	100%

Average Weekly Sales Per Employee



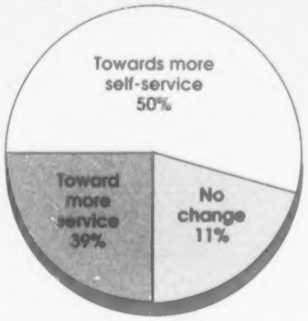
Time for Prep and Service

Breakdown of Labor Hours

Customer service	63%
Other (incl. prep)	37
Total	100%

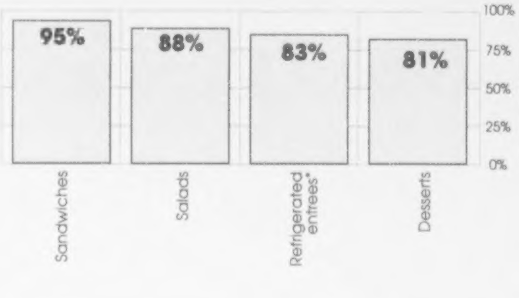
Trends in Service

Direction Deli Directors Expect Their Operations to Move



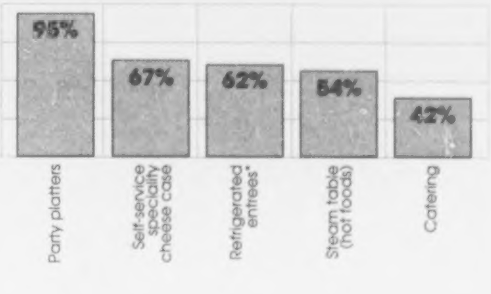
Offerings of Prepackaged Products in Self-Service Cases

Percentage of Stores Offering



Special Services

Percentage of Stores Offering



Delis again managed to cut staff and save labor costs in 1991. The results are more efficiently-run sections without any loss of variety or service.

The prepared salad group wasn't the only one of the traditional "big three" deli categories to decline last year. Sliced meat sales also fell slightly to 33.4 percent of total departmental volume, from 33.6 percent in 1990, while cheese sales went from 15.1 percent in 1990 to just 13.8 percent last year.

But despite some slippage in share percentage, sliced meats still bring in the lion's share of deli sales dollars. The category accounted for almost $4.9 billion last year, combining with cheese sales to account for nearly half the department's sales.

Watching the basics

So while the growth in recent years has been posted by prepared foods and peripheral customer services, operators cannot afford to ignore those traditional bread and butter categories that have been deli department staples for so many years — the traditional meats, cheeses and salads.

But despite maintaining the basics, there's no doubt that delis are now offering a greater variety of services and specialty products.

For instance, party platters are offered by 92 percent of the delis, while 67 percent have specialty cheese cases, 62 percent sell refrigerated entrees, 54 percent have a steam table set-up for hot foods and 42 percent provide catering ser-

PRODUCTION AND SUPPLY

More and more retailers report that they buy at least some of their prepared foods from foodservice vendors. Most retailers rely on more than one source for all prepared food categories, with few producing all their items instore.

When it comes to prepared entrees 71 percent of sales come from those products bought from either foodservice distributors, or directly from foodservice manufacturers. Only 23 percent are made from scratch in the deli.

The same holds true for prepared salads. Sixty-four percent of the operators report buying at least some of their salads from foodservice manufacturers, while 63 percent purchase them through foodservice distributors. Both types of vendors saw increases over the previous year. The percentage of retailers producing at least some of their own salads instore remained at 48%.

Commissaries

Percent of Companies Having Company-OperatedCommissary From Which Stores Order

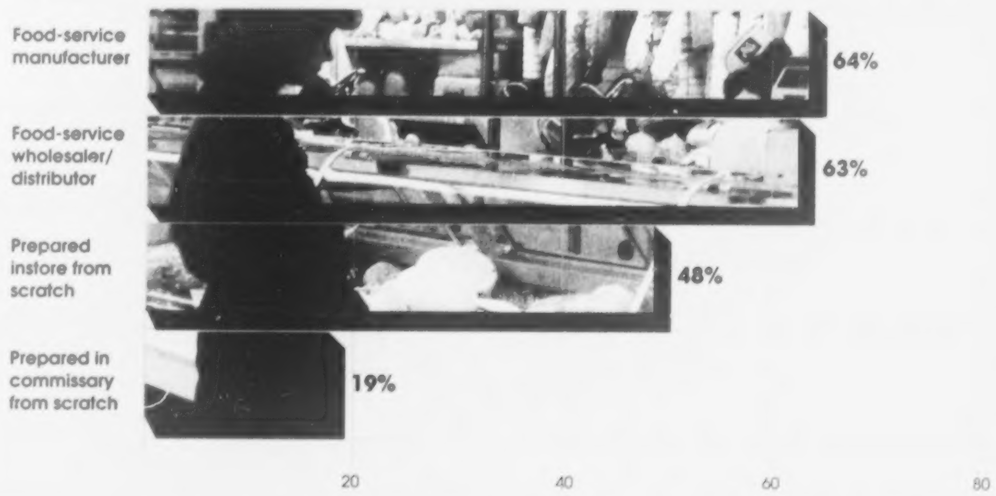
Have commissary	22%
Do not have commissary	78%
Total	100%

Main Function of commissary

Preparation from scratch ingredients	75%
Ordering from food-service suppliers	25%
Total	100%

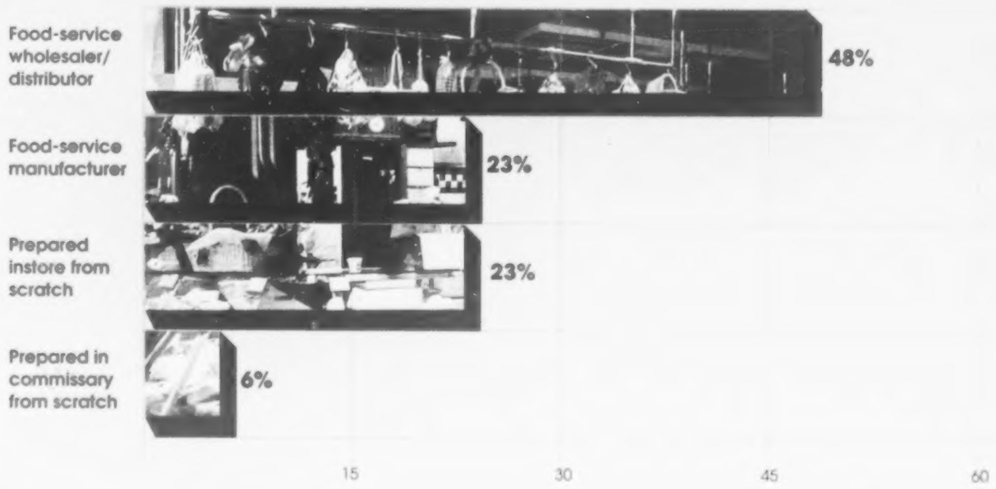
Sources of Service Deli Salads

Percent of Stores Using (Includes Multiple Responses)



Sources of Service Deli Prepared Entrees

(Percent of total Sales Coming from each)



"Instore-homemade" may be an image builder, but it isn't the industry standard. The purchase of prepared foods from foodservice sources accounts for the majority of sales of prepared items, including entrees and salads.

vices that go beyond simple party platters.

Salad bars and soup bars are still the two most popular specialty sections, with about half of the deli retailers having installed the sections in at least some of their stores. Close behind is the hot pizza section, which has gained the favor of about 48 percent of the retailers.

Fresh pasta has slipped a notch, with 39 percent of the retailers selling it compared to 41 percent in 1990. The biggest rise in popularity comes from the tortillerias, which have now found their way into the assortments of 22 percent of the retailers responding.

More Would Be Merrier

In 1991, an average of 23 percent of all shopping trips to supermarkets with a deli included a purchase from that department. This is up ever-so-slightly from the 22.4 percent of a year before.

To the pessimist, this represents yet another year in which the deli failed to significantly increase it drawing power. Despite promotion and advertising, the deli again made little headway in this area.

To the optimist, even this small improvement, during a year in which economic concerns might well have wrought havoc in the department, is an achievement to be admired.

MERCHANDISING & CUSTOMERS

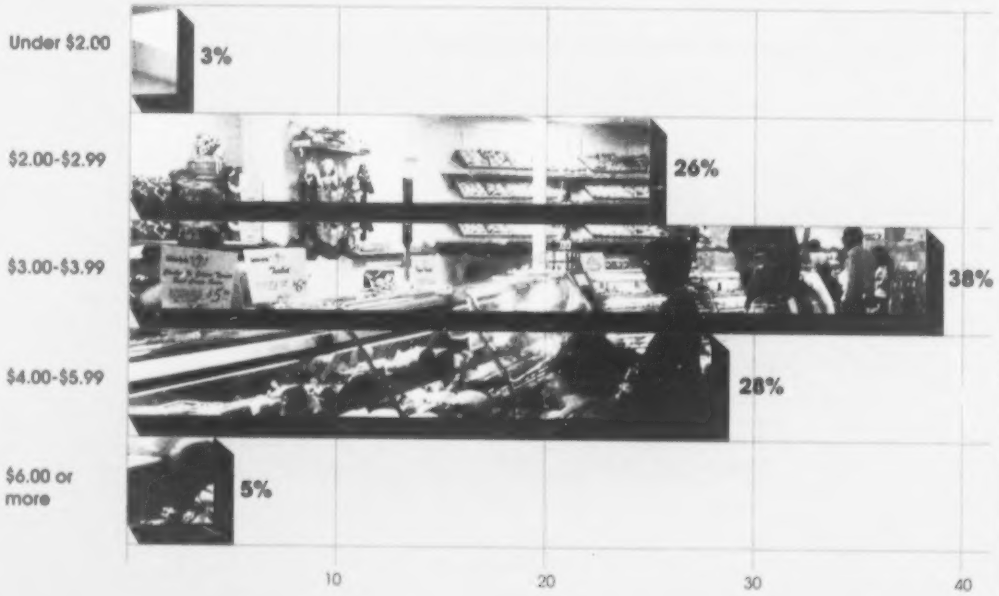
Only about 23 percent of the customers in the store made purchases at the deli in 1991, a very slight increase over the 22.4 percent posted by department operators in 1990.

Deli departments were steadily promoted and advertised in 1991, according to survey respondents. Most deli directors felt that their sections received a fair share of ad and promotion support based on their sales contribution. Retailers gave generally good marks to suppliers for their promotional assistance, although of course, most would like more.

The average deli transaction increased by about $0.40 last year, to $4.81 from $4.41 in 1990. This marked the reversal of the prior year's trend, when the average transaction sized actually decreased.

How Much Customers Spend

Percentage Who Shop the Deli	Mean **23.0%**	Median **21.7%**
How Much They Spend	Mean **$4.81**	



Advertising and Promotion Sell Service Deli

	Percentage Using
Sampling	96%
Newspapers	95
Circulars	89
Point-of-purchase	83
Radio	66
Television	32
Advertise Brands	22
Instore Radio/Video	22

Delis' Share of Ad Space

Compared to Share of Sales	
Greater	22%
Less	17
Equal	61
Total	100%

How Retailers Rate the Promotion and Advertising Help from Deli Suppliers

Excellent	0%
Good	82
Fair	12
Poor	6
Total	100%

Where Retailers Need More or Better Quality Help from Deli Suppliers

	Companies Wanting More Help	Companies Wanting Better Help
Instore demos	78 %	61 %
Point-of-purchase materials	44	22
Deli coupons	61	22
Ad allowances	78	28
Training	72	44

Although the average deli customer spent more in 1991, the department again failed to entice a greater number of patrons already in the store to stop by and sample its wares.

There was some movement in terms of transaction size in the deli last year. The average amount of a deli transaction rose to $4.81 from $4.41 in 1990. This is partly due to increased prices, but it also reflects increases in the sales of high-ticket prepared food items.

The upshot is that consumers do not seem to be shying away from either the deli or its prepared foods. They may not have increased their use of these products and services as much as retailers would have hoped, but neither have they abandoned the section.

Promotion within the deli did not increase significantly over the last year, with most companies reporting that their deli advertising and promotion budgets are on par with the section's share of sales.

While advertising and promotion has always been an important part of retailing, a clear link between the level of promotion and increases in either deli sales or customer count has never been established, beyond what an individual retailer can measure in his own operation.

While most operators rate the advertising and promotional help that they get from their deli and foodservice suppliers as being good, the majority would like still more, especially in the form of instore demos and ad allowances.

With the sources of advertising monies generally drying up, many retailers will have to promote their delis on their own to a greater extent. This may cause them to take a closer look at what kinds of promotions are working, and become more aware of programs that focus on specific customer groups, instead of broad-brush campaigns.

SUPERMARKET BUSINESS

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MARCH 1992

WHO'S PUTTING THE BITE ON THE SUPERMARKET?

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WASHINGTON
ONE DOLLAR

9th Annual
Product Preference Study

An exclusive report on share of 313 categories by class of trade

SUPERMARKET BUSINESS

MARCH
1992

VOLUME 47
NUMBER 3

page 25

9TH ANNUAL PRODUCT PREFERENCE STUDY

CLASS OF TRADE COMPETITION: WHO GETS WHAT? 25

DAVID LITWAK & NANCY MALINE

Are you really being clubbed by the clubs? Take a look at this year's Product Preference Study and find out. In easy-to-read bar chart form, we show what share of each product's sales goes through supermarkets, warehouse clubs, mass merchandisers and other outlets.

WHERE TO FIND EACH CATEGORY

DRY GROCERY-FOOD 45
Baby Foods 45
Baked Goods 45
Breakfast Foods 45
Candy 46
Canned Fruits/Juices/Vegetables 46
Desserts/Baking Ingredients 46
Oils/Dressings/Condiments 48
Packaged Specialty Foods 48
Refrigerated Meats 50
Sauces 50
Snacks 50
Spices/Extracts/Misc. Grocery 52
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INSTORE

SEESSEL'S: COOKING UP A WHOLE NEW GAME PLAN CAROL FENSHOLT 75

In just one year, this Memphis independent has virtually reinvented itself, remodeling and enlarging two of its former seven stores, and building three new ones. Greatly expanded foodservice and 100-seat restaurants are key to the new strategy.

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NONFOODS BUSINESS

TWO DIFFERENT PRESCRIPTIONS FOR PHARMACY GROWTH MIKE DUFF 95

Safeway and Cub Foods both have new strategies for building their pharmacy business...but each approach is very different from the other. Which would be more in tune with your market and operating philosophy?

COLUMNS & DEPARTMENTS

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Cover illustration: Doug Archer

EDITOR'S VIEW

RETURN OF THE REGULAR PRICE

By Ken Partch, Editor-In-Chief

With such a mild winter in the Northeast, one can't help thinking of springtime as the days get longer and sometimes warmer. I thought I would call my friend Norman, the grocer, in the far reaches of northwestern Maine. The reason I call Norman is to find out when the ice will be out of the lakes so that I can plan a fishing trip. Norman also fills me in on the latest directions in grocery technology. Norman keeps up.

Actually, I hadn't talked to Norman in years, so I wondered what he was up to. The last time we talked, Norman was all excited about Von Clausewitz, and was busy setting up a "war room" in order to compete more effectively. Although Norman's superette has only two checkouts and 3,000 sq. ft., Norman is always ready for anything. I never call the store a superette to Norman. It would hurt his feelings.

"Hi, Norman, how are things?" Like most Mainers, Norman doesn't stand on formalities, and doesn't waste many words. You can get right to the point.

"If you mean business, it's lousy. On the other hand, spring and summer shouldn't be too bad, because the tourists will be staying home--that is, home in the U.S.--maybe. By the way, they call me Stormin' now."

"Because of Schwarzkopf?," I asked.

"Nah, they called me that before they did him. Because of my war room."

"Oh, yeah, the war room," I laughed. "How did that ever work out?" Norman had built a mezzanine over the checkouts for his war room. This was an idea he picked up at a convention. It had a huge map on the wall with colored ribbons and pins for every department and every "competitor," no matter how far away.

"Worked fine until I needed more room for expansion."

"Expansion?" I asked, almost nervously. Norman could get carried away.

"Sure," said Norman. "I needed room for a salad bar and hot take-out foods. We make fresh pizza now."

"Norman!" I exclaimed. "You make fresh pizza all winter?"

"'Course not," said Norman. "Just in spring and summer. Fall for the hunters. In winter it would freeze before you got to your pickup."

My thoughts were stuck between Hi-Lo pricing and EDLP, so I thought I'd call on my old friend, Norman, who runs a grocery store deep in the north woods of Maine.

"Well, Norman, I called to see if you could tell me when the ice would be out."

"Any time now," said Norman.

Norman is like some people who can't resist telling a motorist how to get someplace, even if they don't know. It makes him feel bad. He is also like most doctors who can't say 'I don't know' if you ask him something he doesn't know.

"With such a mild winter, it could be early," said Norman. "On the other hand, if we have a cold spring it could go into Easter."

"Thanks, Norman," I said, and hoped that would be the end of it, because Norman tends to get locked into a thought, sometimes, for a man of few words.

"I thought you called to ask about our new pricing program," Norman uncharacteristically volunteered.

"New pricing program?" I asked, fearing the worst.

"Yeah," said Norman, "we're going to regular prices on the weekend."

"What do you mean? You've never charged regular prices. You've always been higher than everybody else. You're the only store in town."

"I'm getting competition, but I'm going to be ready. I may have to make room for the larger packs, too."

"But Norman, I mean Stormin', where's the competition? Maybe from Lincoln, but even that's 60 miles from you."

"They stock up on the way up from Boston and Bangor. Don't forget, there's a superstore in Lincoln. But it's worse than that."

"What do you mean it's worse than that? Is somebody opening a store near you? In Holton? That's 45 miles north," I said.

"No," said Norman. "Not Holton. There's a club coming to Bangor."

"Norman, Bangor is 100 miles away. That can't be competition."

"Yes, it can. The fishermen and the tourists could pick up enough stuff to last them for weeks. Maybe the whole summer. You can't be too careful."

"You're right about that, Norman," I said. "What are you going to do?"

"You heard about Procter's move into EDLP?"

"Yes," I said. "I've heard." Which of course he knew.

"Well, to protect my franchise, I'm going to RLPEW." Norman always used the correct vernacular.

I feared the worst, but ventured anyway. "All right, Norman, what's RLPEW?"

"Regular Low Prices Every Weekend. I'm having the flyers made up right now. That's when most of the fishermen and vacationers come

Continued on page 11

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THE WINNERS!

January Players Beat Tough Odds To Win Watchman

Is Supermarket Business's monthly contest a little-known cure for a New Year's hangover? Or have hundreds of readers suddenly made a resolution to take part in the contest each month?

Whatever the reason, SB's January contest drew an overwhelming response, with hundreds of entries mailed in. Since 483 of them were correct, the winners had to beat harder-than-usual odds of being picked at random.

"It's about time!" exclaimed Douglas Manser, executive store manager of a D'Agostino's Supermarket at 2131 Broadway in New York City. The 24-year industry veteran has been reading SB and entering the contest for more than 10 years.

"Neat!" said Shari Pemrick, produce buyer at Fairway Foods in Northfield, Minn., when told of the Sony Watchman prize. She's worked in supermarkets for five years, and recently became an SB reader, winning the contest in only her second try.

While Pemrick is eagerly awaiting the arrival of her first hand-held TV, Manser already has a Watchman. For him, one is enough. But he's still looking forward to its arrival. "I can always raffle it off to a worthy employee in the store," he says.

Cattlemen's Group Yelling Fowl Over USDA'S Consumption Stats

Conventional wisdom says Americans continue to eat more chicken than beef, and 1991 USDA consumption figures would appear to back it up: 76.2 lbs. per capita for chicken, 67.6 lbs. for beef.

But the National Cattlemen's Association (NCA) refutes that comparison, claiming that the 67.6 lbs. of beef includes trimmed and boneless retail cuts, while the 76.2 lbs. of chicken includes whole carcasses. NCA estimates that adjusting the retail weight for chicken to account for that fact would bring the actual total to 55.5 pounds per person.

Taking their beef a step further, NCA estimates that the boneless edible weight of beef consumed per capita amounts to 63.8 pounds, still well above the boneless total for chicken (47.8 lbs.)

"The fact is that amounts of chicken actually purchased and eaten by consumers are considerably smaller than the generally reported figures," says Chuck Lambert, NCA director of economics.

Predictably, NCA's 1992 beef forecast is bullish: Lambert predicts that record supplies, stable prices, and growing consumer interest in close-trimmed cuts and low-fat ground beef will help keep beef in the number-one slot for years to come.

Close Encounters: A UFO Letter To the Editor

Dear Supermarket Business

In last month's issue, your 10th Annual Deli Operations Review says 6% of supermarket delis are "Lost in Traffic Pattern" (p. 52). Maybe someone should drop a few bread crumbs...er, shrimp salad?

Signed, U.F.O.

Your unidentified Food/nonfood observer

Editor's note: Oops. That should have been, "Last in Traffic Pattern."

NEW PRODUCTS IN GROCERY AND DRUG STORES

1987	14,241	+14.6%
1988	13,421	-5.8%
1989	13,384	-0.3%
1990	15,879	+18.6%
1991	15,401	-3.0%

Major Vendors Stepping Up New Product Intros As Economy Halts Activity of Smaller Players

With economic conditions hampering new product introduction activity by small firms, the larger players are using their muscle to grab even bigger chunks of supermarket shelf space, with aggressive new item barrages.

"The recession has temporarily halted the growth in total new products," says Richard Lawrence, president of Marketing Intelligence Services (MIS) of Naples, N.Y., noting an overall 3% decline from last year's record 15,879 products. But he adds that "many of the larger packaged goods firms increased their number of new products."

Tracking new product activity among the 10 largest marketers of new products in 1990 and 1991, Lawrence found that the biggest 10 marketers accounted for 1,867 new products in 1991, about 12% of the total. In 1990, that ratio was about 10%.

"These companies are thinking longer-term," Lawrence says. "They expect to emerge in a stronger position than others, especially second and third tier competitors, whose weaker market positions have forced them to cut back investment in fundamental business-building."

While new products as a whole edged downward 3%, subcategories were more turbulent.

In the general food category, there were 8,061 new products introduced in 1991, a 10.6% decline from 1990's record levels. But in the beverage category, the number of new products rose by 11.4%, to 1,805 items.

MIS also noted strong gains in HBA new products (up 14.3%, to 4,035 items) and pet products (up 16.3%, to 228 items). Household items declined 10%, to 829 items. And the number of new products in the miscellaneous "other" category plunged 43.8%, to 443 items.

Philip Morris Cos. once again ranked first in the number of new products introduced (288, up from 275 in 1990). Others in the top 10 are Procter & Gamble (279 new products), Avon (278), ConAgra (183), Grand Metropolitan (166), Unilever U.S. (161), Revlon (147), Campbell Soup Co. (134), Nestle (134) and Wessanen USA (97).

The percentage of new products making environmental claims increased from 11.4 to 13.4%. Nutritional claims also increased, rising from 31.8 to 33.3% of the total.

Lawrence predicts new restrictions on such claims will probably curb continued growth. He adds that, given the state of the economy and the lag between new product planning and product introductions, there should be "no more than a small growth" in 1992's new product numbers.

Crash Course: President Bush got more than he bargained for in the course of his visit to the NCR Booth at the NGA Convention last month: A crash course in supermarket technology, and a barrage of media attention. Among the publicity that followed: Jay Leno's *Tonight Show* spoof of the president, transfixed by the "technology" of an automated supermarket door.

Public Affairs Conference Set

FMI, NAWGA/IFDA and the National Association of Convenience Stores (NACS) will host the fifth annual Public Affairs Assembly at the Hyatt Regency Hotel in Washington D.C. March 23-24.

The theme of this year's meeting is "Take a Stand on Platform '92." Speakers include Sen. Phil Gramm (R-Tex.) and analyst/author Charles Cook. Top issues include health care, tax policy and OSHA reform.

9TH ANNUAL

PRODUCT PREFERENCE STUDY

COMPETITION BY CLASS OF TRADE

Who's taking a bite out of the supermarket dollar?

SUPERMARKET BUSINESS and Nielsen Marketing Research join forces to reveal supermarkets' share of sales in more than 300 key product categories — and show who's getting the rest.

by DAVID LITWAK and NANCY MALINE

ILLUSTRATION: DOUG ARCHER

Talk to retailers across the country, and you will hear real concerns about the B.J.'s opening down the road, or the role that Wal-Mart will play in their market area, or the sales they'll lose to a new Phar–Mor.

But do these other classes of trade really cut into supermarket sales? And if so, in which categories have they done the most damage? To reveal the actual impact of warehouse clubs, mass merchandisers, drug stores and convenience stores on supermarkets, SUPERMARKET BUSINESS presents this exclusive report of sales distribution by category among the various classes of trade.

The study uses information developed by Nielsen Marketing Research, which apportions the total unit sales of 313 product categories by giving the share of sales through each type of outlet.

Looking at 52 weeks of consumer purchases in these categories, it is clear that supermarkets remain the dominant force, selling vastly more food than any other class of trade. Even when all other relevant classes of trade are combined, they take only a small portion of the share now enjoyed by supermarkets.

However, as one moves into the nonfoods areas, the shift in share totals becomes pronounced.

Supermarkets still sell the majority of household supplies, but give up some share to mass merchandisers ... in HBA categories, they run fairly close to mass merchandisers, with drug outlets a close third in many product lines ... and in general merchandise categories tracked for this study, mass merchandisers are clearly the dominant players.

Actually, it may not be a matter of supermarket operators having lost sales share to the drug chains and mass merchandisers in the HBA and GM category groups. Rather, the supermarket may have taken business from these other classes of trade over the past decade, and is now fighting to keep those gains.

Let's look at the "outside" competition, beginning with mass merchandisers. It appears that supermarkets have more to fear from these discounters than from any other class of trade, especially in the household supplies and nonfoods categories. Out of the 313 categories in this study, mass merchandisers have at least a 25% share in over 80 categories.

Continued on page 35

NIELSEN AND HOW THE STUDY WAS DONE

The Nielsen Databases - Tracking Movement and More

Nielsen Marketing Research, from its international headquarters in Northbrook, IL, supplies a wide range of services that help the packaged goods industry screen, plan, test and evaluate individual brands and marketing programs. Nielsen Marketing Research provides comprehensive information on sales volume, shares, trends, pricing, promotion, distribution and inventory levels to the grocery, health and beauty care, tobacco, snack foods, and beverage industries.

Since the early 1970s, Nielsen Marketing Research has been associated with the electronic collection of sales data. Today, the company offers a full range of scanner-based capabilities, ranging from comprehensive national services to specific local market measures. There are more than a dozen client service offices located throughout the United States.

How The Information Was Compiled

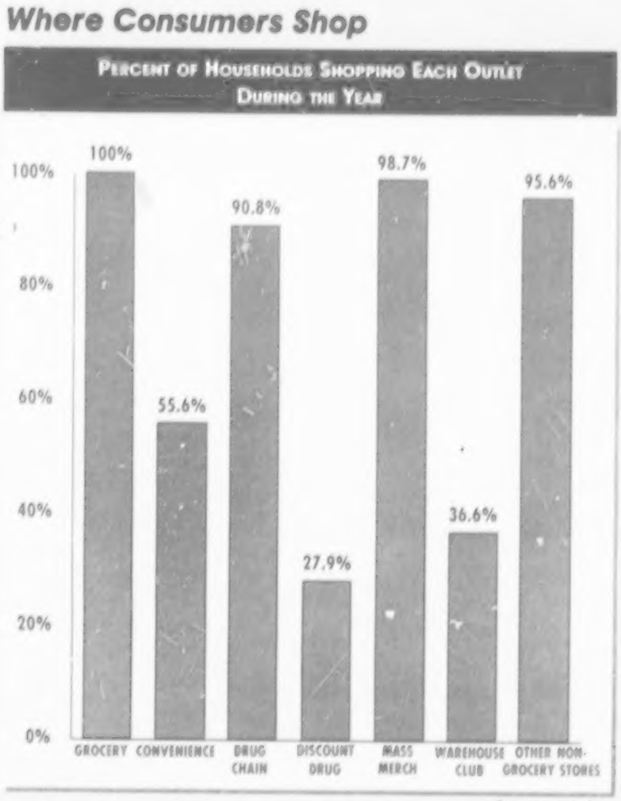
The data for SUPERMARKET BUSINESS's Ninth Annual Product Preference Study was compiled by Nielsen Marketing Research directly from its national SCANTRACK service. The data is based on SCANTRACK's national sample of 3,000 scanner-equipped stores. These stores are part of more than 800 retail organizations in 50 markets.

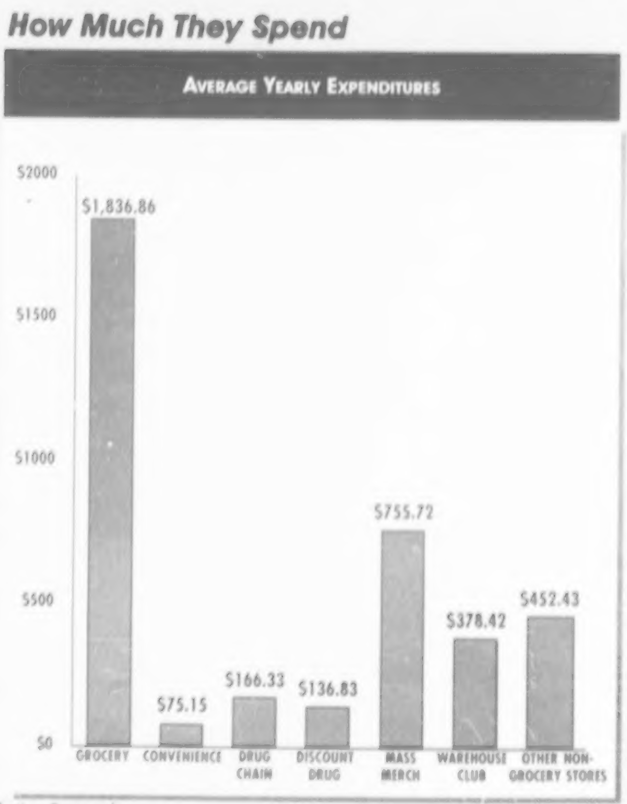
In addition to this scanner-based product movement data, the information contained in the following pages was supplemented with consumer purchase behavior data gathered from SCANTRACK's National Electronic Household Panel.

This panel includes 15,000 households (which will be expanded to 40,000 during 1992). Panel members use hand-held scanners to record their purchases, the prices they paid, and causal data such as coupon usage. These purchase records can then be tied back to the household demographic files on each panel member. The panel is geographically and demographically constituted to represent the entire U.S. The data in the study represents 52 weeks of purchase information from both the in-store and household scanners, ending March 1991.

Nielsen Marketing Research also offers its clients a wide array of other exclusive services, including: Nielsen Workstation, Nielsen Procision, Nielsen Sales Advisor, Nielsen's Retail Information Group with its Spaceman III software and Nielsen's television, newspaper and magazine tracking services.

For more information on any of these services, contact Nielsen Marketing Research, Nielsen Plaza, Northbrook, IL 60062-6288, or call (708) 498-6300.

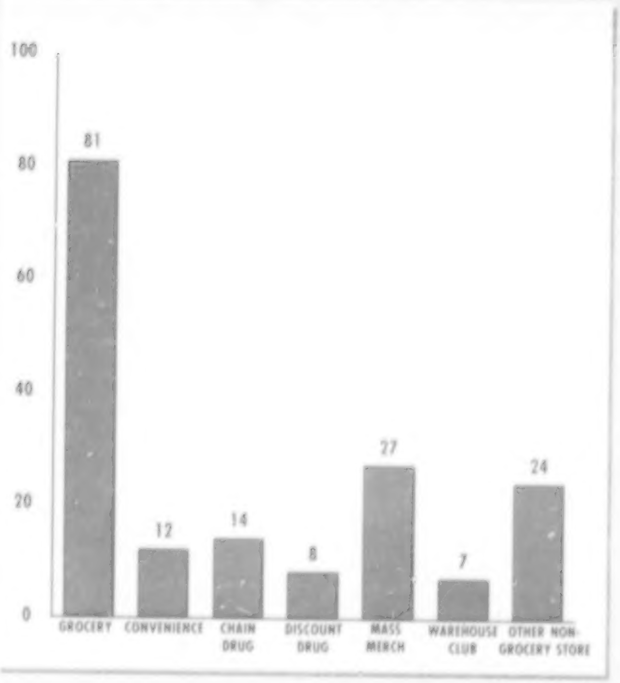




Source: Nielsen Marketing Research

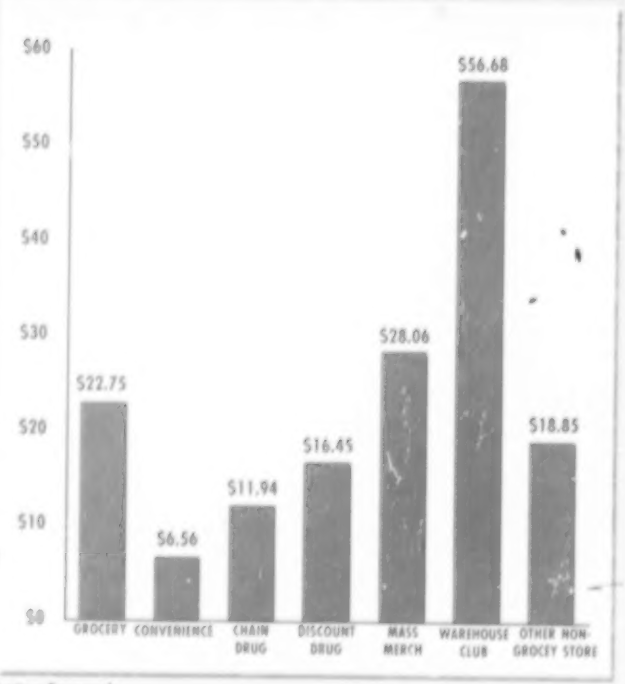
How Often They Shop

AVERAGE NUMBER OF YEARLY SHOPPING TRIPS



What They Spend Each Time

AVERAGE EXPENDITURES PER SHOPPING TRIP



Source: Nielsen Marketing Research

Continued from page 26

But while troublesome in the high margin GM and HBA categories, these discounters have not yet cut into the food sections of the supermarket. The only food items in which the discounters have a high share are a few categories of candy.

With the recent inroads into the grocery business made by both Wal-Mart and Kmart, it is certainly worth pondering the future role of mass merchandisers in food sales, as these discounters attempt to blur the boundaries between the classes of trade even further with their blending of formats.

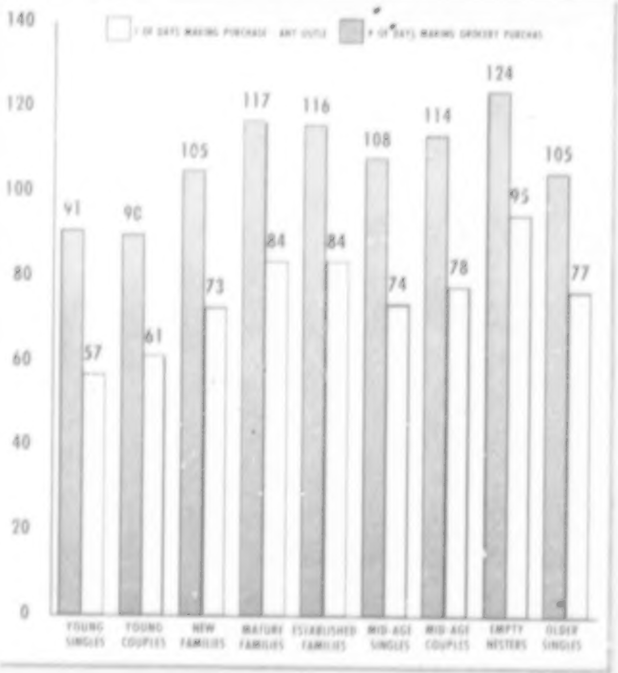
Drug stores still do not take much of a bite out of the grocery business. Although these outlets do their best business in HBA, commanding 28% of OTC remedies for example, their shares trail those of mass merchandisers and supermarkets in most HBA categories, especially beauty aids.

Drug stores fall far behind both mass merchandisers and

Continued on page 38

Lifestage Segments: How Often They Shop Grocery Stores

NUMBER OF DAYS A YEAR THAT EACH LIFESTAGE SEGMENT MAKES A PURCHASE IN ANY OUTLET TYPE AND IN GROCERY STORES



Source: Nielsen Marketing Research

LIFESTAGE GROUP DEFINITIONS

Young Singles - single–member households of either a female or male aged 18 - 34

Young Couples - 2+ member households with no children, and either a female head aged 18 -34with a male head age 18 - 44, or a male head aged 18 - 34 with a female head age 18 - 44

New Families - households with only pre-school age children (under 6 years old)

Mature Families - households with children, at least 1 child between 6 and 12 years old.

Established Families - households whose children are over 12 years old

Middle Aged Singles - single member households with either a female or male aged 35 - 54

Middle Aged Couples - 2+ member households with a male or female head aged 35 - 54 with no children under the age of 18

Empty Nesters - 2+ member households with no children, and either a female head aged 55+ with non-male head or with a male head aged 55+

Older Singles - single member households with either a female or male head aged 55+

WHO SHOPS WHERE

DEMOGRAPHIC INFLUENCES ON CLASS OF TRADE SHOPPED	**GROCERY**				**NON-GROCERY**						
	TOTAL HOUSEHOLDS	**TOTAL**	**GROCERS**	**C-STORE**	**TOTAL NON-GROC.**	**DRUG TOTAL**	**DRUG CHAIN**	**DRUG DISCOUNT**	**MASS MERCH.**	**WAREHSE CLUB**	**OTHER NON-GROC.**
Dollars Spent by Shopper/Outlet	**$3,361.50**	**$1,878.57**	**$1,836.81**	**$75.85**	**$1,505.78**	**$204.28**	**$166.33**	**$136.83**	**$755.72**	**$378.42**	**$452.43**
INCOME											
Under $12,000	80*	85*	84*	123*	73*	81*	90*	49*	81*	28*	71*
$12,000-$19,999	83	85	85	108	81	91	94	76	88	44	74
$20,000-$24,999	92	93	93	97	90	88	87	90	98	76	80
$25,000-$29,999	98	96	96	94	101	99	98	102	104	93	97
$30,000-$39,999	107	107	107	111	106	104	99	125	110	103	103
$40,000-$49,999	111	111	111	93	111	106	101	126	111	128	107
$50,000-$59,999	117	115	115	89	120	115	112	130	109	174	125
$60,000+	124	117	118	73	132	123	122	124	109	193	157
HOUSEHOLD SIZE											
1 Member	66	63	63	71	69	86	90	71	62	40	83
2 Member	96	93	93	96	100	106	107	102	96	88	109
3-4 Member	117	119	119	112	114	103	99	120	120	133	102
5+ Member	139	149	149	142	126	103	105	98	138	174	105
FEMALE HEAD OF HOUSEHOLD											
Under 35 Years	96	100	101	92	91	77	71	103	99	100	81
35-44 Years	118	120	120	122	117	106	102	123	123	134	106
45-54 Years	116	111	111	105	122	115	116	112	122	136	119
55+ Years	96	95	96	64	97	116	121	98	98	81	93
55-64 Years	105	103	104	74	108	122	126	105	110	102	101
65+ Years	87	87	88	53	86	110	115	90	86	58	84
CHILDREN											
No Children Under 18	90	87	87	90	93	103	104	99	87	80	103
Any Child Under 18	119	124	125	118	113	94	92	103	124	138	94
Any Child Under 6	116	124	125	105	106	88	84	100	115	127	93
Any Child 6-12 Years	121	128	128	128	114	90	89	91	129	132	92
Any Child 13-17 Years	126	132	132	122	120	105	103	112	134	151	92
FH Employed (female head of household)	105	104	105	89	106	100	96	116	110	118	97
Full Time	103	100	101	85	106	99	93	123	109	123	99
Part Time	110	115	116	99	104	102	102	100	110	105	93
FH Not Employed	103	105	105	94	101	106	109	94	105	91	95
FH Not High School Graduate	112	113	112	174	110	113	121	78	118	102	97
FH High School Graduate	110	112	112	101	108	101	102	98	120	101	94
FH Some College	100	100	101	73	100	101	98	114	102	109	92
FH College Graduate	96	94	95	60	98	102	96	127	90	115	104
RACE											
White	101	102	102	98	99	99	99	98	100	102	98
Non-White	95	88	88	112	104	109	109	110	102	85	111
Occupation of HH Head: Professional	103	100	100	81	108	105	101	119	99	135	116
Occupation of HH Head: White Collar	90	89	89	94	92	97	92	119	87	99	94
Occupation of HH Head: Blue Collar	109	113	112	141	105	90	90	88	115	107	94
HH Head not in Work Force	92	92	92	81	92	106	110	90	92	67	95
LIFESTAGE SEGMENTS											
Young Singles	57	53	53	84	63	63	59	78	55	56	79
Childless Younger Couples	81	82	81	87	80	76	63	128	72	89	93
New Families	108	113	113	100	101	89	83	115	104	122	94
Maturing Families	122	128	128	129	114	91	90	92	129	131	92
Established Families	123	124	125	104	122	109	106	121	130	175	96
Middle Aged Singles	69	63	62	98	76	85	86	81	68	46	97
Middle Aged Childless Couples	114	106	105	149	124	121	119	130	113	123	144
Empty Nesters	108	107	107	77	109	122	127	106	108	99	107
Older Singles	67	66	67	53	68	95	103	64	62	33	78

* Index of shopping where the average of all shoppers equals 100. The higher the index, the more likely the demographic group is to shop that outlet.

Source: Nielsen Marketing Research

Continued from page 35

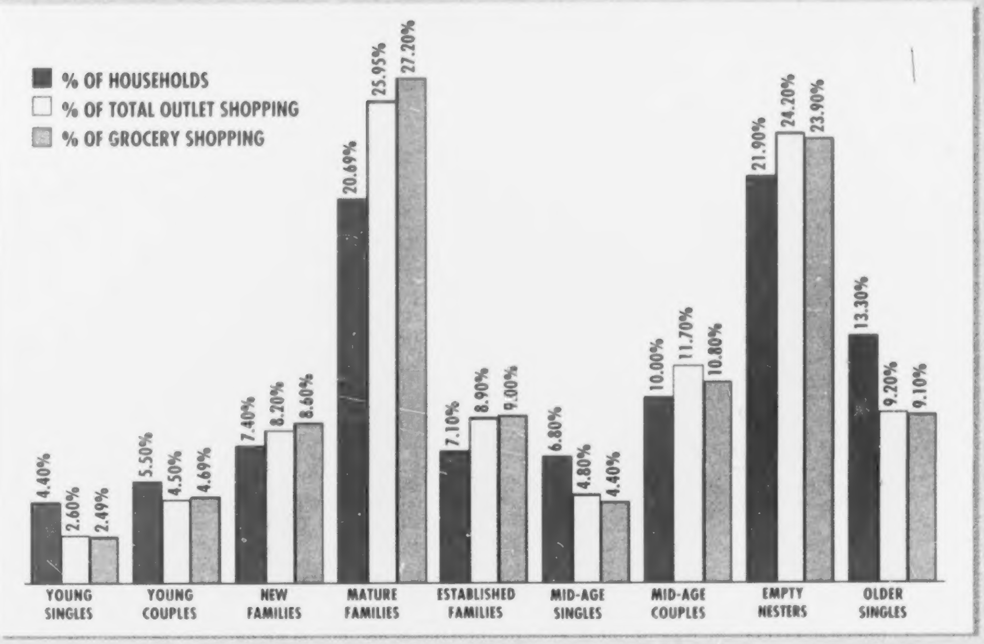
supermarkets when it comes to GM sales. On the food side, druggists are almost non-entities in most categories. Again, candy seems to be the only area in which drug stores have a significant share of sales (15% of the total).

In general, drug outlets fare better with the dry-grocery-nonfoods categories. Their share averages about 5%, and is much higher in such items as household tape (21%), insect repellents (15%), premoistened cleaning wipes (16%), flea/tick products (12%), hand soaps (15%), and bath additives (22%), and they sell 8% of all tobacco products. With the exception of tobacco, most of these other categories in which drug stores do relatively well are fairly small in terms of total unit volume.

The warehouse club is the format or class of trade on almost everyone's mind these days. In reality, the "big" threat is not so big as yet, at least on a national level. However, if you operate across the street from one, you may have a different perspective.

Who are the Most Frequent Shoppers?

LIFESTAGE SEGMENTS: IMPORTANCE TO ALL OUTLET AND GROCERY DOLLARS



WHAT CONSUMERS BUY MOST ...IN SUPERMARKETS

TOP 25 CATEGORIES IN SUPERMARKETS*
Percent Purchased in Supermarkets

1.	Breakfast/Snack/Nutritional Bars	91%
2.	Frozen Vegetables, plain	90%
3.	Frozen French Toast/Pancakes/Waffles	90%
4.	Cream Cheese	89%
5.	Frozen Prepared Vegetables	89%
6.	Bread Products	89%
7.	Breakfast Cereals, RTE	88%
8.	Chili, canned	88%
9.	Yogurt, refrigerated	88%
10.	American/Processed Cheese	88%
11.	Frozen Dinners/Entrees	88%
12.	Frozen Corn on the Cob	88%
13.	Frozen Potato Products	88%
14.	Frozen Orange Juice Concentrate	88%
15.	Frozen Breakfast Entrees	88%
16.	Whipped Topping	87%
17.	Mayonnaise/Mayonnaise-style Dressing	87%
18.	Pasta, packaged	87%
19.	Spaghetti Sauce	87%
20.	Flavored Instant Coffee	87%
21.	Margarine	87%
22.	Sour Cream	87%
23.	Natural Cheese	87%
24.	Frozen/Refrigerated Dough Products	87%
25.	Frozen Fish/Seafood	87%
		87%
		87%

...IN THE CLUBS

TOP 25 CATEGORIES IN WAREHOUSE CLUBS*
Percent Purchased in Warehouse Clubs

1.	Non-Alcoholic Wine	25%
2.	Turkey, canned	21%
3.	Refrigerated Entrees	10%
4.	Drink Additives (add water or milk)	9%
5.	Tomato/Vegetable Juice	8%
6.	Tea, liquid	8%
7.	Water Conditioners	8%
8.	Wine, domestic dinner/table	8%
9.	Frozen Poultry, plain/prepared	7%
10.	Wine, sparkling/champagne	6%
11.	Video Tapes, blank	6%
12.	Mushrooms, jarred/canned	5%
13.	Grapefruit Juice, canned	5%
14.	Instant Breakfast Drinks	5%
15.	Automatic Dishwasher Compounds	5%
16.	Frozen Breakfast Entrees	4%
17.	Honey	4%
18.	Pasta, jarred/canned	4%
19.	Non-stick Cooking Products, Aerosol	4%
20.	Hash, canned	4%
21.	Fruit Juices/Drinks	4%
22.	Vienna Sausage, canned	4%
23.	Grapefruit Juice, refrigerated	4%
24.	Fabric Softener	4%
25.	Ham, canned	4%
		4%
		4%

*** Represents the categories that have the highest percentage of sales through each class of trade.**

Source: Nielsen Marketing Research

Warehouse clubs do not account for a significant share of sales in virtually any categories tracked in this study. In only three categories do they account for 10% or more of the sales: non-alcoholic wines (25%), canned turkey (21%) and refrigerated entrees (10%). In the latter category, the clubs are a factor because they sell foodservice packs, not consumer-sized products.

In all, there are only 28 categories in which warehouse clubs have 4% of sales or more. These are divided between food items (mostly drink categories, some frozen and refrigerated poultry and entrees) and household supplies.

Just as there may be a tendency to overestimate the impact of the clubs, there may also be an inclination to dismiss them too easily, especially in light of the findings of this study. The fact is that the number of club outlets is still expanding rapidly.

They may become much more of a factor within the next few years, especially in the markets they have penetrated with multiple units, or even where competing club operators have opened. Also, not all clubs are alike. Some are moving more and more into packaged groceries and fresh foods.

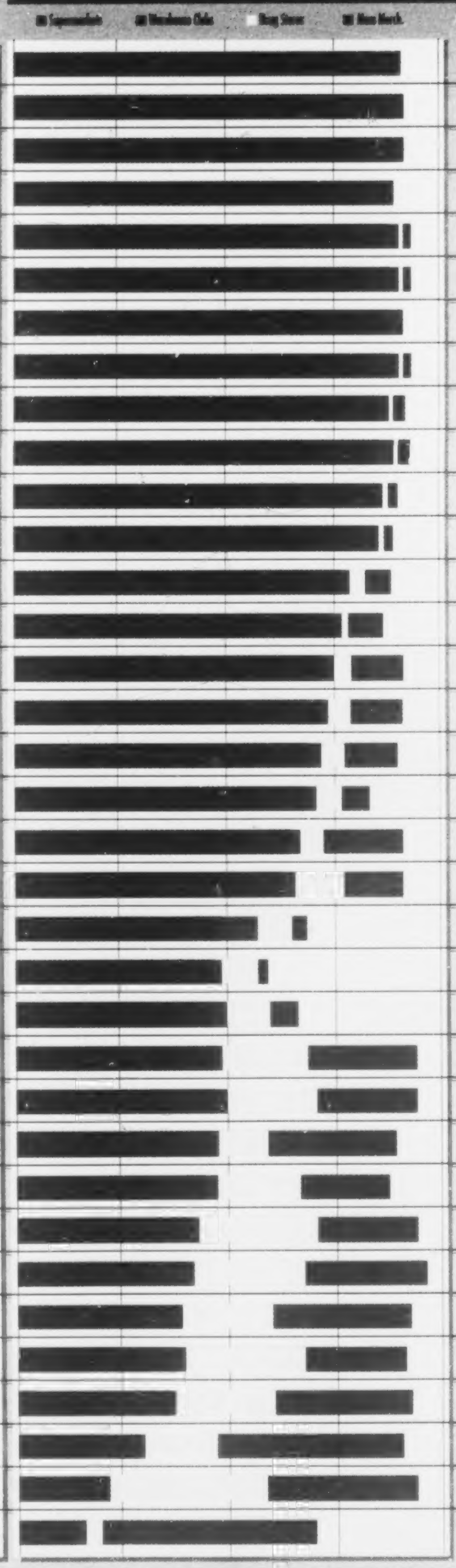
Although convenience stores are like gnats buzzing around supermarkets everywhere, they control a relatively insignificant share of sales in most supermarket categories.

For instance, the food category groups in which convenience stores do best are

Continued on page 64

RANKING OF OUTLET SHARE OF SALES FOR 35 MAJOR PRODUCT CLASSES

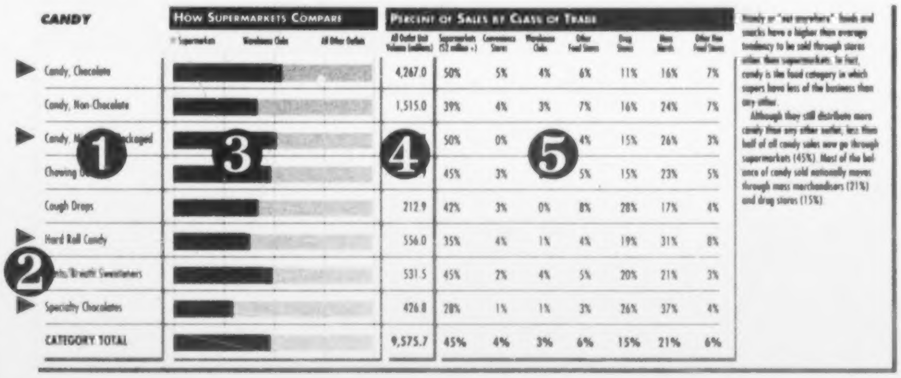
PERCENT OF SALES



	Supermarket	Warehouse Club	Drug Store	Mass Merch.
Frozen Foods	88%	1%	0%	1%
Breakfast Foods	86%	1%	0%	2%
Dairy	85%	1%	0%	1%
Baby Foods	84%	0%	0%	1%
Oils/Dressing/Condiments	84%	2%	1%	2%
Packaged Specialty Foods	84%	2%	1%	2%
Refrigerated Meats	84%	2%	0%	1%
Sauces	84%	2%	1%	2%
Family Beverages	82%	2%	1%	3%
Canned Fruits/Juices/Vegetables	82%	3%	1%	3%
Desserts/Baking Ingredients	82%	1%	1%	2%
Pet Products	81%	1%	1%	2%
Spices/Extracts/Misc. Grocery	76%	2%	3%	6%
Baked Goods	75%	1%	1%	7%
Laundry Supplies	73%	2%	3%	12%
Paper/Plastic Products	73%	1%	4%	12%
Snacks	71%	2%	4%	8%
Soft Drinks	70%	2%	4%	4%
Household Cleaners	67%	1%	5%	17%
Soaps, Non-Laundry	64%	2%	11%	14%
Wine	49%	6%	7%	3%
Beer	48%	1%	6%	2%
Tobacco	48%	2%	8%	7%
Misc. HBA	48%	1%	18%	27%
Oral HBA	48%	2%	19%	25%
Household Supplies	46%	2%	9%	28%
Candy	45%	3%	15%	21%
OTC Remedies	42%	1%	28%	23%
Shaving Needs	41%	1%	22%	29%
Baby/Children's HBA	39%	0%	17%	34%
First Aid/Skin Care	38%	2%	25%	28%
Hair Care	37%	1%	22%	34%
Misc. General Merchandise	29%	1%	17%	39%
Cosmetics	23%	0%	34%	34%
Auto Supplies	15%	2%	3%	51%

Source: Nielsen Marketing

HOW TO READ THE TABLES



CANDY	How Supermarkets Compare			Percent of Sales by Class of Trade							
	Supermarkets	Warehouse Clubs	All Other Outlets	All Outlet Unit Volume (millions)	Supermarkets ($2 million +)	Convenience Stores	Warehouse Clubs	Other Food Stores	Drug Stores	Mass Merch.	Other Non Food Stores
▶ Candy, Chocolate				4,267.0	50%	5%	4%	6%	11%	16%	7%
Candy, Non Chocolate				1,515.0	39%	4%	3%	7%	16%	24%	7%
▶ Candy, M[illegible]ckaged				[illegible]	50%	0%	[illegible]	4%	15%	26%	3%
Chewing [illegible]				[illegible]	45%	3%	[illegible]	5%	15%	23%	5%
Cough Drops				212.9	42%	3%	0%	8%	28%	17%	4%
▶ Hard Roll Candy				556.0	35%	4%	1%	4%	19%	31%	8%
[illegible]nts/Breath Sweeteners				531.5	45%	2%	4%	5%	20%	21%	3%
▶ Specialty Chocolates				426.8	20%	1%	1%	3%	26%	37%	4%
CATEGORY TOTAL				9,575.7	45%	4%	3%	6%	15%	21%	6%

Handy or "eat anywhere" foods and snacks have a higher than average tendency to be sold through stores other than supermarkets. In fact, candy is the food category in which supers have less of the business than any other.

Although they still distribute more candy than any other outlet, less than half of all candy sales now go through supermarkets (45%). Most of the balance of candy sold nationally moves through mass merchandisers (21%) and drug stores (15%).

❶ A total of 313 categories of products typically found in supermarkets were tracked for this study. Purchases of individual brands and products, reported by store and home scanners, were combined to create cohesive categories. Many of the categories contain singular product types, such as "chewing gum," while others are a more complex assortment of products, such as "miscellaneous juices and drinks."

❷ Watch out for the brightly colored flags that highlight some of the categories! We used them to alert you to larger-than-average sales shares held by either warehouse clubs or mass merchandisers. A red flag ▶ indicates that 4% or more of the sales go through warehouse clubs ... a blue flag ▶ means that at least 25% of the category's sales move through mass merchandisers.

❸ The horizontal bar charts graphically depict the way supermarket sales of each category stack up to the most competitive other format in the category, and then moving to the right, how the cumulative share of both outlets compares to all the classes of trade. In the case of food and dry grocery nonfood categories, supermarket sales shares are shown against those of warehouse clubs; for HBA and general merchandise categories, supermarket and mass merchandiser sales shares are charted.

❹ The "All Outlet Unit Volume" column shows how much product in each category was sold by all outlets between March 1990 and March 1991 in unit terms. This serves as a frame of reference for interpreting all the other information in the study, because share of sales percentages for any outlet type can be converted back to actual unit volume in just a glance back at this column. Remember that all figures listed under this column are in millions, and that it is necessary to drop the decimal point and add 00,000 to the last digit to arrive at the actual unit volume.

❺ The seven columns under the heading "Percent of Sales by Class of Trade" represent the heart of the study. For the first time, volume for all outlets is broken out into its component parts. The share of sales for each of seven classes of trade is given. Five are singled out and given individual columns. The remaining two classes represent miscellaneous formats.

"Other Food Stores" includes superettes and small grocery stores (other than convenience stores), as well as any specialty food stores. "Other Nonfood Stores" includes such outlets as hardware/home centers, cosmetic and beauty aids dealers, tobacco shops, etc.

... And What They Mean (To You)

There's been no shortage of concern, controversy and confusion of late over the current and potential effects of other retail segments on the supermarket sales base. And while that impact obviously varies in accordance with who and where you are, there can be dangers in either underestimating or exaggerating the situation.

Using the Nielsen Marketing Information research presented exclusively in this Ninth Annual Supermarket Business Product Preference Study, you can focus more closely on just who your competition really is.

What you already knew was that for the most part, other supermarkets remain your toughest competitors, particularly in the mainstream food and related items. But you might not have known exactly how much of a slice of your potential business is taking place in outlets other than your supermarket rivals.

If a new Kmart is set to open a mile from your store, an understanding of the specific categories likely to be impacted by the event can steer you away from an unproductive responsive strategy, and to a more appropriate and realistic approach. Specifically, should you run special promotions on those items that mass merchandisers emphasize to keep the new unit from getting a foothold, or do you de-emphasize those products and play to your own strengths?

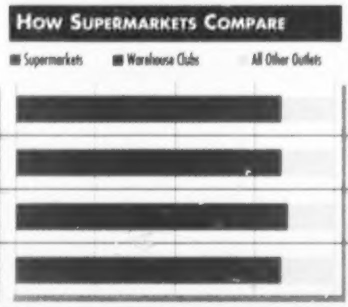
Beyond the "defensive" benefits to be derived from this in-depth picture of sales distribution, another look at your own volume share by category may help you to identify untapped sales improvement opportunities that have been neglected.

And if you thought you knew it all when it comes to "who sells what the best," consider this array of sales facts:

- Mass merchandisers sell more units in more beauty care categories than drug stores.
- More wine is sold in supermarkets than through liquor stores.
- The warehouse club is the king of canned turkey.
- Granola bars are the supermarket's single highest share item of all.
- Druggists have the highest sales of both contraceptives and home pregnancy tests.
- Beer and tobacco products are the only categories in which convenience stores have a relatively significant share of sales.

DRY GROCERY—FOOD

BABY FOODS

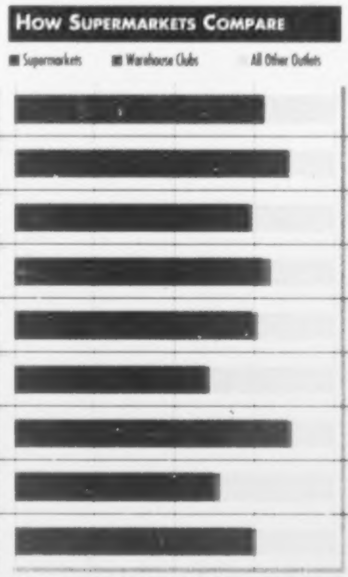


Percent of Sales by Class of Trade

	All Outlet Unit Volume (millions)	Supermarkets ($2 million +)	Convenience Stores	Warehouse Clubs	Other Food Stores	Drug Stores	Mass Merch.	Other Non Food Stores
Baby Food	1,705.2	84%	0%	0%	11%	0%	1%	2%
Baby Cereal & Biscuits	190.2	84%	0%	0%	13%	0%	1%	2%
Baby Juices	253.1	86%	1%	0%	9%	1%	1%	2%
CATEGORY TOTAL	**2,148.5**	**84%**	**0%**	**0%**	**11%**	**0%**	**1%**	**2%**

The baby food business in retail stores other than supermarkets remains in its infancy, with supers holding an 84% share of total volume in the category. Other food stores combine for the next largest share, 11%.

BAKED GOODS



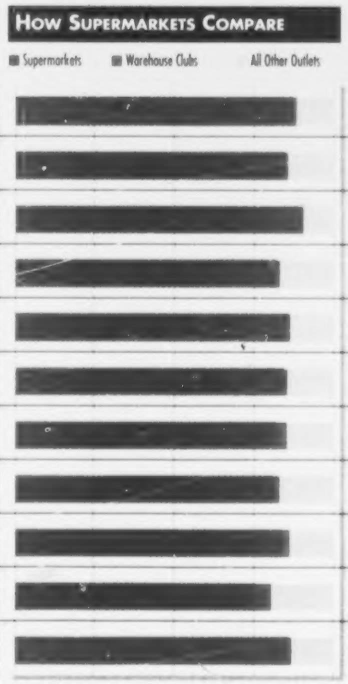
Percent of Sales by Class of Trade

	All Outlet Unit Volume (millions)	Supermarkets ($2 million +)	Convenience Stores	Warehouse Clubs	Other Food Stores	Drug Stores	Mass Merch.	Other Non Food Stores
Bread	6,750.3	78%	2%	1%	12%	0%	5%	4%
Bread Crumbs/Coating Mixes	158.4	86%	0%	1%	10%	0%	2%	1%
Cookies, RTE	2,496.0	73%	2%	1%	10%	3%	8%	3%
Crackers	1,976.0	78%	0%	3%	9%	2%	5%	2%
Muffins	419.8	77%	1%	2%	10%	1%	5%	4%
Cakes & Pies	1,376.3	60%	4%	2%	13%	1%	14%	7%
Stuffing Mixes/Products	199.8	86%	0%	1%	9%	0%	2%	1%
Sweet Rolls/Pastries, RTE	799.7	63%	5%	2%	13%	1%	10%	7%
CATEGORY TOTAL	**14,176.4**	**75%**	**2%**	**1%**	**11%**	**1%**	**7%**	**4%**

Pre-packaged baked goods, as with most dated or perishable items, are sold primarily through supermarkets (75%). This is especially the case for such staples as bread and crackers (78% each).

Cookies account for the largest chunk of the category after bread. Sales of other dessert-type baked goods, such as cakes and pies and sweet rolls/pastries, are more splintered. Although the majority of sweet goods is still sold through supermarkets, other outlets sell four of every ten units.

BREAKFAST FOODS



Percent of Sales by Class of Trade

	All Outlet Unit Volume (millions)	Supermarkets ($2 million +)	Convenience Stores	Warehouse Clubs	Other Food Stores	Drug Stores	Mass Merch.	Other Non Food Stores
Breakfast Cereals, Cold	2,860.8	88%	0%	1%	9%	0%	1%	1%
Breakfast Cereals, Hot	362.1	85%	0%	1%	10%	1%	2%	2%
Breakfast/Snack/Nutritional Bars	15.6	91%	0%	0%	7%	0%	0%	1%
Toaster Products	277.9	82%	1%	2%	8%	1%	4%	1%
Table Syrup/Molasses	301.5	86%	0%	1%	9%	0%	1%	1%
Pancake/Waffle Mix	137.7	85%	0%	1%	10%	1%	2%	2%
▶ Honey	62.4	82%	1%	4%	9%	1%	1%	2%
Jams/Jellies	400.6	81%	0%	3%	10%	2%	4%	1%
Peanut Butter	427.2	84%	0%	3%	9%	1%	2%	1%
▶ Instant Breakfast Drinks	23.7	76%	0%	5%	15%	1%	2%	1%
CATEGORY TOTAL	**4,869.6**	**86%**	**0%**	**1%**	**9%**	**0%**	**2%**	**1%**

Cold cereal is by far the most popular way to start the day. And the most popular places to buy cold cereal and breakfast foods in general are supermarkets (86%).

The breakfast category consists of the top sellers in supermarkets and in warehouse clubs. In fact, the share of breakfast and nutritional bars sold in supermarkets (91%) represents supers' highest share of any product sold in the store. Warehouse clubs now sell 5% of all instant breakfast drinks, and 4% of all honey.

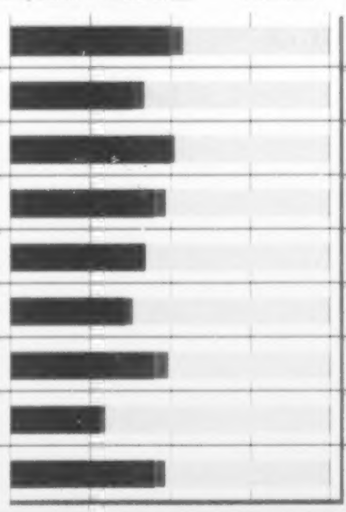
Source: Nielsen Marketing Research

DRY GROCERY—FOOD continued on next page

DRY GROCERY—FOOD

CANDY

HOW SUPERMARKETS COMPARE



PERCENT OF SALES BY CLASS OF TRADE

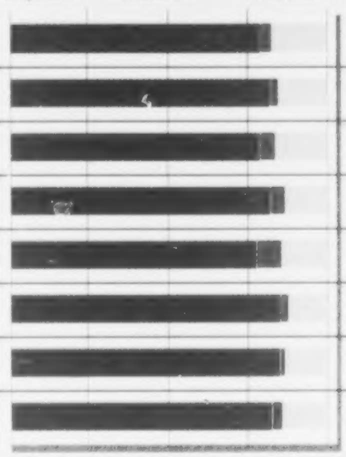
	All Outlet Unit Volume (millions)	Supermarkets ($2 million +)	Convenience Stores	Warehouse Clubs	Other Food Stores	Drug Stores	Mass Merch.	Other Non Food Stores
▶ Candy, Chocolate	4,267.0	50%	5%	4%	6%	11%	16%	7%
Candy, Non-Chocolate	1,515.0	39%	4%	3%	7%	16%	24%	7%
▶ Candy, Miniature, Packaged	394.7	50%	0%	1%	4%	15%	26%	3%
Chewing Gum	1,671.9	45%	3%	3%	5%	15%	23%	5%
Cough Drops	212.9	42%	3%	0%	8%	28%	17%	4%
▶ Hard Roll Candy	556.0	35%	4%	1%	4%	19%	31%	8%
▶ Mints/Breath Sweeteners	531.5	45%	2%	4%	5%	20%	21%	3%
▶ Specialty Chocolates	426.8	28%	1%	1%	3%	26%	37%	4%
CATEGORY TOTAL	**9,575.7**	**45%**	**4%**	**3%**	**6%**	**15%**	**21%**	**6%**

Handy or "eat anywhere" foods and snacks have a higher than average tendency to be sold through stores other than supermarkets. In fact, candy is the food category in which supers have less of the business than any other.

Although they still distribute more candy than any other outlet, less than half of all candy sales now go through supermarkets (45%). Most of the balance of candy sold nationally moves through mass merchandisers (21%) and drug stores (15%).

CANNED FRUITS/JUICES/VEGETABLES

HOW SUPERMARKETS COMPARE



PERCENT OF SALES BY CLASS OF TRADE

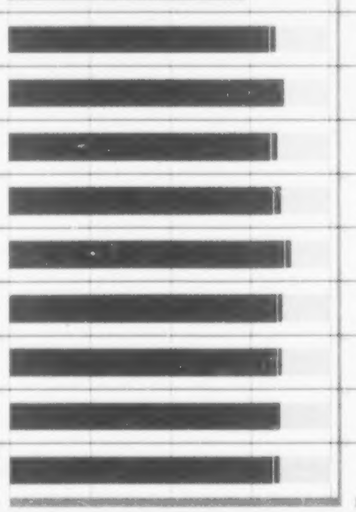
	All Outlet Unit Volume (millions)	Supermarkets ($2 million +)	Convenience Stores	Warehouse Clubs	Other Food Stores	Drug Stores	Mass Merch.	Other Non Food Stores
▶ Fruit Juices/Drinks, Misc.	1,840.6	78%	1%	4%	10%	1%	4%	2%
Fruit, Canned/Jarred	1,860.1	81%	0%	3%	10%	2%	2%	2%
▶ Grapefruit Juice	93.7	78%	0%	5%	11%	0%	4%	2%
▶ Mushrooms, Canned/Jarred	282.1	81%	0%	5%	9%	1%	2%	1%
▶ Tomato/Vegetable Juices	672.3	77%	1%	8%	10%	1%	2%	2%
Tomatoes, Canned	638.1	84%	0%	3%	9%	1%	1%	1%
Vegetables, Canned/Jarred	4,714.3	84%	0%	2%	10%	0%	2%	1%
CATEGORY TOTAL	**10,101.2**	**82%**	**0%**	**3%**	**10%**	**1%**	**2%**	**1%**

Despite consumers' propensity for fresh produce, canned fruits and vegetables and their juices remain very popular, with more than 10 billion units sold annually.

Warehouse clubs sell more of these shelf-stable consumables (3%) than they do of any other food category. Supermarkets, however, dominate sales of canned fruits/juices/vegetables, with 82% of all units sold. One can in ten is sold in smaller food stores.

DESSERTS/BAKING INGREDIENTS

HOW SUPERMARKETS COMPARE



PERCENT OF SALES BY CLASS OF TRADE

	All Outlet Unit Volume (millions)	Supermarkets ($2 million +)	Convenience Stores	Warehouse Clubs	Other Food Stores	Drug Stores	Mass Merch.	Other Non Food Stores
Artificial Sweeteners	130.8	73%	0%	2%	10%	5%	9%	2%
Baking Chips	234.0	82%	0%	1%	8%	3%	6%	1%
Baking Chocolate, Bar	24.0	86%	0%	0%	10%	0%	2%	1%
Baking Coconut	40.4	82%	1%	2%	10%	1%	2%	1%
Baking Mixes	375.4	83%	0%	2%	11%	1%	2%	2%
Brownie/Cookie Mix	161.3	86%	0%	2%	8%	1%	2%	1%
Cake Mixes, Dry	854.8	84%	0%	1%	11%	1%	1%	1%
Evaporated Milk	598.1	84%	0%	1%	11%	0%	2%	2%
Flour	346.2	85%	0%	0%	12%	0%	1%	1%
Frosting/Frosting Mixes	288.5	83%	0%	1%	10%	1%	3%	2%

In spite of the ease of buying from instore bakeries, and the continued importance of convenience, "home-made" still has its appeal. The assorted ingredients needed to bake something fresh and delicious sold over 5 billion units. Corners were cut however, with the various mixes combining to outsell flour.

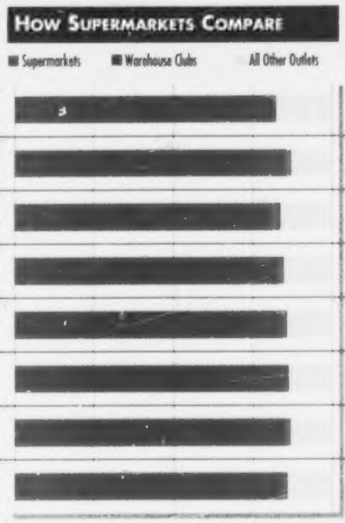
Source: Nielsen Marketing Research

DRY GROCERY—FOOD continued on next page

DRY GROCERY—FOOD

INGREDIENTS

(Continued from page 46)

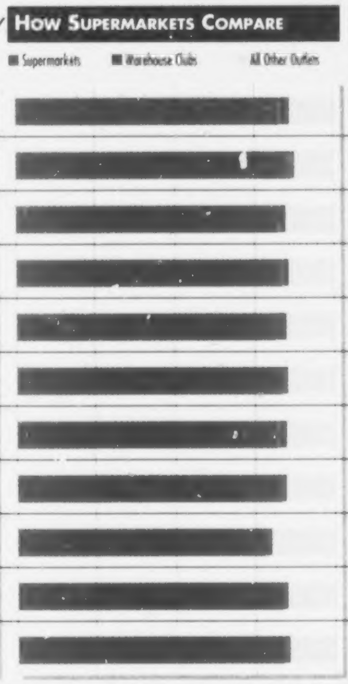


Percent of Sales by Class of Trade

	All Outlet Unit Volume (millions)	Supermarkets ($2 million +)	Convenience Stores	Warehouse Clubs	Other Food Stores	Drug Stores	Mass Merch.	Other Non Food Stores
Gelatin/Gelatin Desserts	524.3	83%	0%	0%	11%	3%	1%	1%
Pizza Mix	52.0	86%	0%	1%	12%	0%	1%	0%
Pudding/Pie Fillings, Mixes, RTE	715.6	82%	0%	2%	9%	2%	4%	1%
Shortening	170.0	84%	1%	1%	11%	1%	2%	1%
Sugar	1,025.5	85%	0%	1%	11%	0%	1%	1%
Whipped Topping	304.2	87%	1%	0%	11%	0%	0%	1%
Yeast, Dry	58.1	86%	0%	1%	12%	0%	0%	1%
CATEGORY TOTAL	**5,903.1**	**85%**	**0%**	**1%**	**10%**	**1%**	**2%**	**1%**

Sugar tops this group, with more than a billion sacks sold. Supermarkets have the largest share of sales of both sugar (85%) and artificial sweeteners (73%), with other food stores, mass merchandisers and drug stores making better inroads in the latter category.

OILS/DRESSINGS/ CONDIMENTS

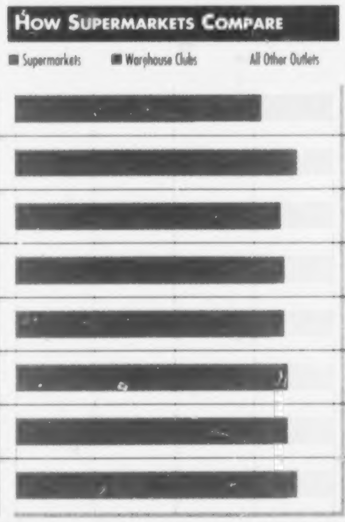


Percent of Sales by Class of Trade

	All Outlet Unit Volume (millions)	Supermarkets ($2 million +)	Convenience Stores	Warehouse Clubs	Other Food Stores	Drug Stores	Mass Merch.	Other Non Food Stores
Catsup	401.5	83%	0%	3%	10%	1%	2%	1%
Mayonnaise/Mayo-Type Dressings	653.5	87%	0%	1%	10%	0%	1%	1%
Mustard	250.8	83%	1%	2%	10%	0%	2%	2%
Oil, Salad or Cooking	461.5	84%	0%	2%	11%	0%	2%	1%
Olive Oil	62.6	82%	0%	3%	11%	1%	2%	2%
Relish	103.6	84%	0%	1%	11%	1%	2%	1%
Pickles	418.4	83%	0%	2%	9%	1%	3%	1%
Salad Dressing	547.7	84%	0%	1%	10%	2%	3%	1%
Salad Toppings	58.4	79%	0%	1%	10%	2%	6%	2%
Vinegar	162.7	84%	0%	1%	11%	1%	2%	2%
CATEGORY TOTAL	**3,120.5**	**84%**	**0%**	**2%**	**10%**	**1%**	**2%**	**1%**

Consumers stick to food stores when purchasing items from this group (supermarkets, 84%; other food stores, 10%). Mayonnaise is the dressing of choice, selling more units than salad dressings, oils, catsup or mustard. And sales of mayonnaise are not spread around very much. Supermarkets sell almost nine of every ten jars (87%). The tenth is usually picked up at other food stores (10%).

PACKAGED SPECIALTY FOODS



Percent of Sales by Class of Trade

	All Outlet Unit Volume (millions)	Supermarkets ($2 million +)	Convenience Stores	Warehouse Clubs	Other Food Stores	Drug Stores	Mass Merch.	Other Non Food Stores
▶ Turkey, Canned	12.1	57%	0%	21%	7%	2%	11%	2%
Chili	47.3	88%	0%	1%	7%	1%	1%	2%
Deviled Ham/ Other Meat Products	35.3	82%	0%	2%	12%	1%	2%	1%
Prep. Dishes, Dinner Mixes, Packaged	1,597.0	83%	0%	2%	11%	0%	3%	1%
▶ Hash, Canned	44.3	81%	1%	4%	10%	2%	1%	1%
Mexican Foods	1093.8	84%	0%	2%	10%	1%	2%	1%
▶ Pasta, Canned/Jarred	776.0	82%	0%	4%	9%	1%	3%	1%
Potatoes, Instant	239.9	86%	0%	3%	9%	1%	1%	1%

Canned soup accounts for over one-fourth of category sales, and represents one of supermarkets' best share percentages, 84%).

Like canned fruits/juices/vegetables, the canned items in the specialty foods section are moving through the clubs and other food stores at a higher than average rate (with the exception of canned soup). Canned turkey, while not being gobbled up in droves, is the biggest seller in warehouse clubs (21%) and also sells surprisingly well in mass merchandise stores (11%).

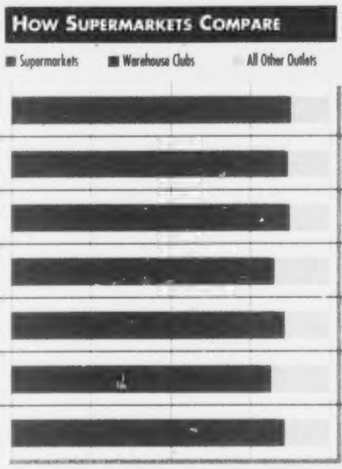
Source: Nielsen Marketing Research

DRY GROCERY—FOOD continued on next page

DRY GROCERY—FOOD

PACKAGED FOODS

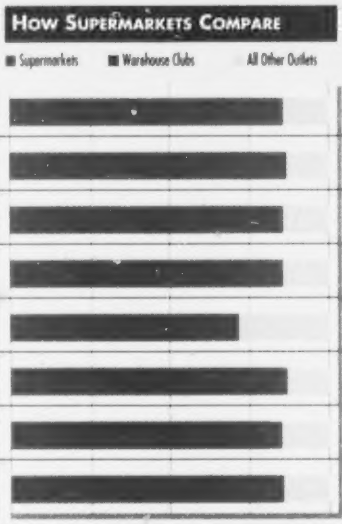
(Continued from page 48)



	All Outlet Unit Volume (millions)	Supermarkets ($2 million +)	Convenience Stores	Warehouse Clubs	Other Food Stores	Drug Stores	Mass Merch.	Other Non Food Stores
▶ Pasta, Packaged	1,695.6	87%	0%	1%	9%	1%	1%	1%
Rice	806.1	86%	0%	1%	9%	1%	2%	1%
Soup, Canned	3,428.8	86%	0%	2%	9%	1%	1%	1%
Soup, Dry/Bouillon Cubes	1,043.6	81%	1%	2%	8%	2%	4%	2%
Tuna, Canned	1,661.9	83%	0%	3%	10%	1%	2%	1%
▶ Sausage, Vienna, Canned	221.8	78%	0%	4%	11%	1%	4%	2%
CATEGORY TOTAL	**12,703.5**	**84%**	**0%**	**2%**	**9%**	**1%**	**2%**	**1%**

Dry soup/bouillon cubes, probably used more often as cooking ingredients than as soup, do about a third as much business as the canned varieties. And in spite of various controversies, canned tuna netted sales of over a billion and a half units.

REFRIGERATED MEATS

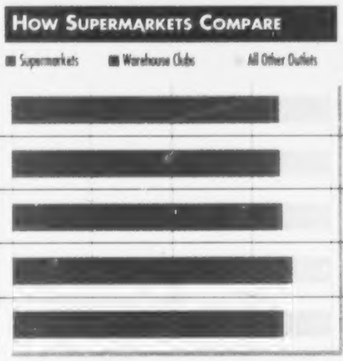


	All Outlet Unit Volume (millions)	Supermarkets ($2 million +)	Convenience Stores	Warehouse Clubs	Other Food Stores	Drug Stores	Mass Merch.	Other Non Food Stores
Bacon/Breakfast Strips	754.3	85%	1%	1%	11%	0%	1%	1%
Cold Cuts	1,264.8	85%	1%	2%	10%	0%	1%	1%
▶ Refrigerated Entrees	49.3	76%	2%	10%	10%	0%	1%	1%
Frankfurters/Wieners	1,082.7	84%	1%	2%	10%	0%	1%	2%
▶ Ham, Canned	26.3	67%	0%	4%	10%	6%	12%	1%
Sausage, Breakfast	413.8	86%	0%	1%	11%	0%	1%	1%
Sausage, Dinner	172.7	82%	0%	3%	12%	0%	1%	2%
CATEGORY TOTAL	**3,763.9**	**84%**	**1%**	**2%**	**10%**	**0%**	**1%**	**1%**

Cold cuts and frankfurters share the largest slice of this category, with supermarkets selling the largest portions (85% and 84%, respectively). Other food stores, including delicatessens, sell only 10% of each of those meats.

Many warehouse club customers purchase for business rather than family use. That is probably the reason for the clubs' 10% share of sales of refrigerated entrees, which often are packaged in multiples. One out of every three canned hams is purchased in stores other than supermarkets, with even drug stores (6%) getting into the act.

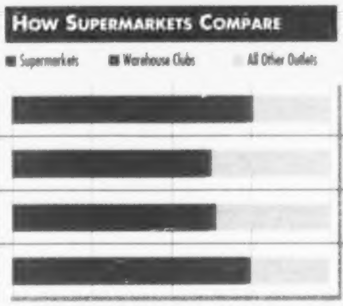
SAUCES



	All Outlet Unit Volume (millions)	Supermarkets ($2 million +)	Convenience Stores	Warehouse Clubs	Other Food Stores	Drug Stores	Mass Merch.	Other Non Food Stores
Barbecue/Seasoning/Misc. Sauces, Bottled	815.0	82%	1%	2%	10%	1%	3%	1%
Gravy/Sauce, Mixes and Canned	349.9	83%	0%	1%	11%	1%	2%	2%
Soy Sauce	92.9	83%	1%	2%	10%	0%	2%	2%
Spaghetti Sauce	728.8	87%	0%	1%	9%	1%	1%	1%
CATEGORY TOTAL	**1,986.6**	**84%**	**0%**	**2%**	**10%**	**1%**	**2%**	**1%**

Mass merchandisers and other nonfood outlets have yet to make significant inroads into this group, which is dominated by spaghetti, barbecue and marinade-type sauces, with soy sauce trailing far behind in total volume at 5% of the group.

SNACKS



	All Outlet Unit Volume (millions)	Supermarkets ($2 million +)	Convenience Stores	Warehouse Clubs	Other Food Stores	Drug Stores	Mass Merch.	Other Non Food Stores
Corn/Tortilla Chips & Cheese Snacks	1,374.8	74%	3%	2%	8%	3%	6%	4%
Nuts	692.2	61%	3%	2%	8%	8%	14%	4%
Popcorn Snacks/Popping Corn	660.2	63%	2%	2%	7%	7%	15%	4%
Potato Chips	1,884.5	74%	3%	1%	10%	3%	6%	3%

As is the case with candy, snack items represent less total market share in the hands of supermarket operators (71%) than most other food categories. As might be expected, convenience stores do more of their business in snacks (3%) than in almost any other food category.

Three fourths of the heavyweights of the group, potato chips, corn chips and cheese snacks, are sold in supermarkets. But mass merchandisers are biting into popcorn (15%) and nut (14%) sales.

Source: Nielsen Marketing Research

DRY GROCERY—FOOD continued on next page

DRY GROCERY–FOOD

SNACKS

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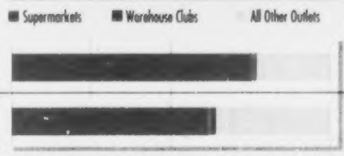
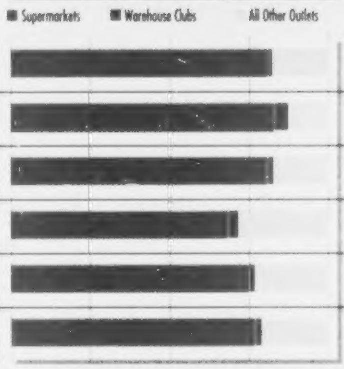


HOW SUPERMARKETS COMPARE

PERCENT OF SALES BY CLASS OF TRADE

	All Outlet Unit Volume (millions)	Supermarkets ($2 million +)	Convenience Stores	Warehouse Clubs	Other Food Stores	Drug Stores	Mass Merch.	Other Non Food Stores
Pretzels	336.0	75%	2%	1%	8%	6%	5%	3%
CATEGORY TOTAL	**4,947.8**	**71%**	**3%**	**2%**	**9%**	**4%**	**8%**	**4%**

SPICES/ EXTRACTS/ MISC. GROCERY



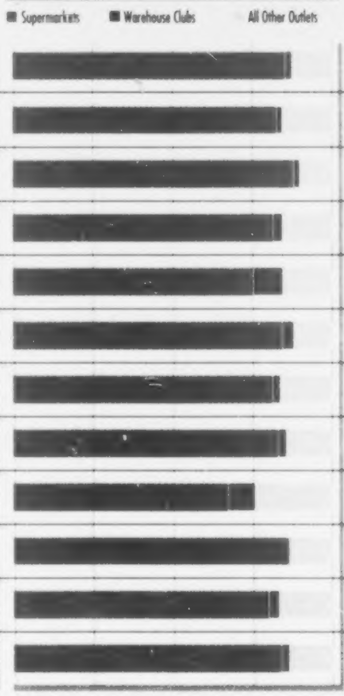
HOW SUPERMARKETS COMPARE

PERCENT OF SALES BY CLASS OF TRADE

	All Outlet Unit Volume (millions)	Supermarkets ($2 million +)	Convenience Stores	Warehouse Clubs	Other Food Stores	Drug Stores	Mass Merch.	Other Non Food Stores
Extracts	87.5	80%	0%	1%	10%	2%	5%	2%
▶ Nonstick Cocking Products, Aerosol	55.5	82%	0%	4%	10%	0%	3%	1%
Salt	328.4	80%	0%	1%	11%	2%	4%	2%
Salt Substitute	24.8	67%	0%	3%	21%	2%	6%	1%
Seasonings/Spices	612.7	74%	0%	2%	8%	4%	8%	2%
CATEGORY TOTAL	**1,108.9**	**76%**	**0%**	**2%**	**9%**	**3%**	**6%**	**2%**

Our taste for extra flavor is being satiated by salt and spices. While supermarkets sell about 80% of the salt, extracts and non-stick cooking sprays, they hold a lesser share (67%) of the salt substitute business. Other food stores are selling a fifth of the salt pretenders.

FAMILY BEVERAGES



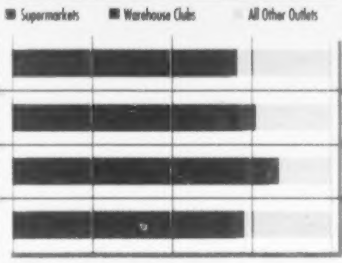
HOW SUPERMARKETS COMPARE

PERCENT OF SALES BY CLASS OF TRADE

	All Outlet Unit Volume (millions)	Supermarkets ($2 million +)	Convenience Stores	Warehouse Clubs	Other Food Stores	Drug Stores	Mass Merch.	Other Non Food Stores
Coffee, Ground	906.5	84%	0%	2%	9%	1%	3%	1%
Coffee, Instant/Freeze Dried	266.0	81%	0%	2%	11%	1%	3%	2%
Coffee, Instant, Flavored	47.7	87%	0%	1%	8%	1%	2%	1%
Cream Substitute, Non Dairy	144.5	80%	1%	3%	10%	1%	4%	1%
▶ Drink Additives (Add Milk or Water)	229.6	74%	0%	9%	9%	2%	4%	2%
Iced Tea Mix, Instant	111.7	83%	0%	3%	8%	1%	3%	1%
Tea, Instant	34.0	80%	0%	2%	10%	1%	6%	1%
Tea, Regular	291.7	82%	0%	2%	9%	1%	4%	2%
▶ Tea, Liquid	128.3	66%	4%	8%	8%	4%	3%	7%
Powdered Soft Drinks	1,577.2	85%	1%	0%	10%	0%	2%	2%
Cocoa Powder	20.8	79%	0%	3%	12%	1%	3%	4%
CATEGORY TOTAL	**3,758.1**	**83%**	**1%**	**2%**	**10%**	**1%**	**3%**	**2%**

The "wake-up beverages" are primarily sold in supermarkets. It appears that the less popular the drink, the less likely it is to be sold in a supermarket. Cocoa powder (79%), drink additives (74%) and liquid tea (66%) are among the beverages representing supers' weaker shares. In all, supermarkets sell the most family beverages (83%) and hold above-average shares of the largest selling beverage items (powdered soft drinks, 85% and ground coffee, 84%).

SOFT DRINKS



HOW SUPERMARKETS COMPARE

PERCENT OF SALES BY CLASS OF TRADE

	All Outlet Unit Volume (millions)	Supermarkets ($2 million +)	Convenience Stores	Warehouse Clubs	Other Food Stores	Drug Stores	Mass Merch.	Other Non Food Stores
Soft Drinks, Non-Diet	15,245.7	68%	3%	2%	10%	4%	4%	9%
Soft Drinks, Diet	8,449.4	72%	2%	3%	8%	4%	3%	8%
Water, Bottled	868.4	80%	2%	3%	8%	3%	2%	2%
CATEGORY TOTAL	**24,563.4**	**70%**	**3%**	**2%**	**9%**	**4%**	**4%**	**8%**

Supermarkets carry the best variety of soda and sell about seven of every 10 units. Other food stores (9%) and non-food outlets (8%) are the distant runners-up in soft drink sales. Not surprisingly, convenience stores' share of soft drink sales (3%) mirrors their percentage of total snack volume.

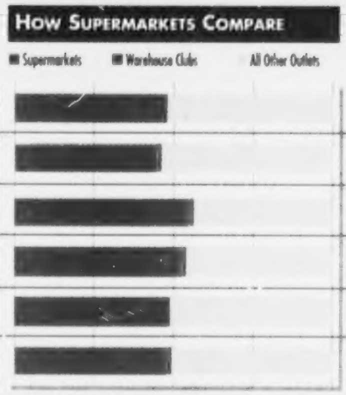
Sugared, carbonated beverages reign supreme in this highly segmented category, outselling their diet counterparts almost two-to-one.

Source: Nielsen Marketing Research

DRY GROCERY—FOOD continued on next page

DRY GROCERY–FOOD

BEER



Percent of Sales by Class of Trade

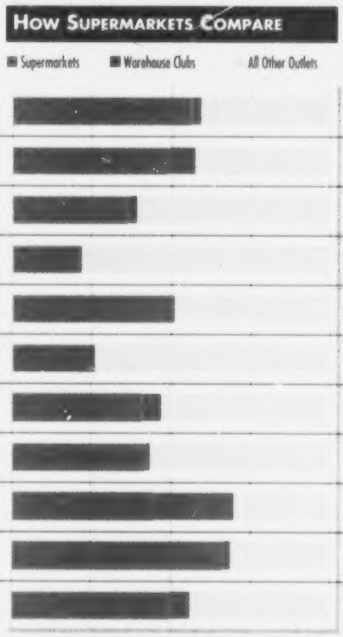
	All Outlet Unit Volume (millions)	Supermarkets ($2 million +)	Convenience Stores	Warehouse Clubs	Other Food Stores	Drug Stores	Mass Merch.	Other Non Food Stores
Ale	30.4	48%	5%	0%	21%	2%	2%	22%
Beer, Regular	2,913.7	45%	10%	1%	22%	5%	2%	15%
Beer, Light	1,314.8	55%	9%	1%	11%	9%	1%	14%
Near Beer	172.2	53%	1%	1%	14%	10%	5%	15%
Malt Liquor	133.8	49%	12%	0%	10%	1%	2%	26%
CATEGORY TOTAL	**4,564.9**	**48%**	**9%**	**1%**	**18%**	**6%**	**2%**	**15%**

Even though liquor stores exist for the express purpose of selling beer and other spirits, supermarkets sell almost half (48%) of all the beer and "near beer" purchased for at-home consumption.

Convenience stores sell more beer than almost anything else they carry other than tobacco products.

Convenience and other food stores combine for a quarter of total sales, with nonfood stores holding a 15% share. It's interesting to note that light beer and near beer sales are relatively high in drug stores (9% and 10%).

WINE



Percent of Sales by Class of Trade

	All Outlet Unit Volume (millions)	Supermarkets ($2 million +)	Convenience Stores	Warehouse Clubs	Other Food Stores	Drug Stores	Mass Merch.	Other Non Food Stores
Wine, Spirits/Coolers	147.7	56%	5%	3%	10%	7%	3%	16%
▶ Wine, Domestic Dinner/Table	363.4	49%	1%	8%	8%	5%	3%	26%
Wine, Imported Dinner/Table	76.4	36%	1%	3%	12%	3%	2%	44%
Wine, Aperitif, Specialty	1.2	12%	3%	0%	12%	0%	0%	73%
Wine, Domestic Dessert	22.1	51%	0%	0%	4%	3%	4%	38%
Wine, Party/Pop/Sangria	4.2	26%	1%	0%	6%	0%	1%	66%
▶ Wine, Sparkling/Cold Duck/Champagne	87.4	41%	1%	6%	8%	16%	3%	25%
Vermouth	12.1	42%	0%	1%	4%	12%	1%	40%
▶ Wine, Non-Alcoholic	35.5	45%	1%	25%	8%	10%	8%	3%
Cocktail Mixes	35.0	66%	1%	2%	8%	6%	4%	13%
CATEGORY TOTAL	**785.0**	**49%**	**2%**	**6%**	**9%**	**7%**	**3%**	**25%**

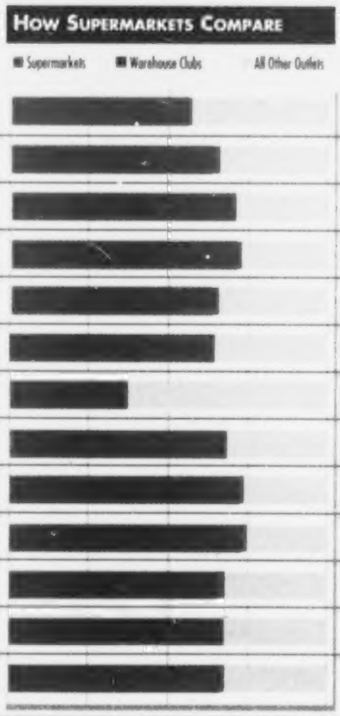
As with beer, half of all wine sales are accounted for by supermarkets (49%), with nonfood outlets including liquor stores selling only 25%.

Domestic wine and wine coolers lead the category and sell mainly in supermarkets (49% and 56%). Liquor stores outpace supermarkets by three-to-one in sales of aperitif and specialty wines.

Non-alcoholic wine is the category star in the warehouse clubs, although its share (25%) trails that of supermarkets (45%). The category is a small one for liquor stores, which hold only 3% of the business.

DRY GROCERY–NONFOOD

HOUSEHOLD CLEANERS



Percent of Sales by Class of Trade

	All Outlet Unit Volume (millions)	Supermarkets ($2 million +)	Convenience Stores	Warehouse Clubs	Other Food Stores	Drug Stores	Mass Merch.	Other Non Food Stores
▶ Carpet/Rug Cleaners	34.8	56%	0%	1%	6%	5%	28%	4%
Drain Cleaners	57.3	64%	1%	2%	6%	5%	18%	4%
Floor/Wax Polish, Cleaner	38.1	71%	1%	0%	7%	4%	13%	4%
Household Cleaners	241.8	72%	0%	1%	7%	4%	14%	2%
Furniture Polish	94.1	64%	1%	2%	7%	4%	19%	3%
Toilet Bowl Cleaners	210.7	65%	0%	0%	7%	5%	21%	2%
▶ Toilet Bowl Deodorizers	42.9	37%	0%	0%	2%	7%	52%	2%
Metal Polish	13.3	69%	0%	0%	5%	6%	13%	7%
Oven Cleaners	28.4	73%	0%	1%	7%	4%	13%	2%
Scouring Pads	238.4	73%	1%	2%	7%	3%	11%	3%
Scouring Cleaners	303.0	65%	1%	3%	9%	6%	14%	2%
Glass Cleaners	110.1	68%	1%	0%	6%	5%	18%	2%
CATEGORY TOTAL	**1,413.0**	**67%**	**1%**	**1%**	**7%**	**5%**	**17%**	**2%**

Although the categories that make up this group post relatively low volumes, household cleaning products have always had a strong presence in the supermarket, with brands and manufacturers literally becoming household names.

But despite these strong ties to the supermarket, about a third of the sales in these categories now go to other classes of trade, notably mass merchandisers. Household cleaners are among the most heavily promoted of the traditional grocery store items in other outlets. Promotions by mass merchandisers, home centers and discount druggists often feature these products.

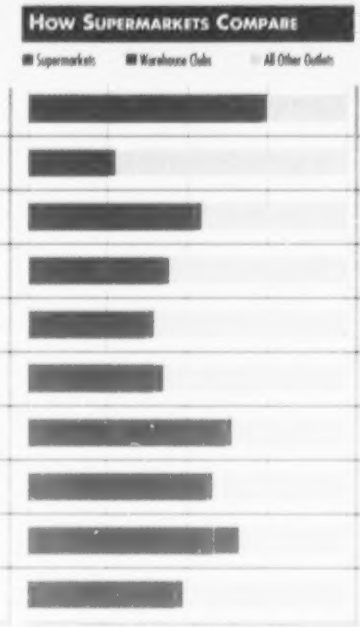
Luckily, the best products in this group are also those that tend to have the highest supermarket share of sales, such as scouring pads (73%), and household cleaners (71%).

Source: Nielsen Marketing Research

DRY GROCERY-NONFOOD continued on next page

DRY GROCERY-NONFOOD

HOUSEHOLD SUPPLIES



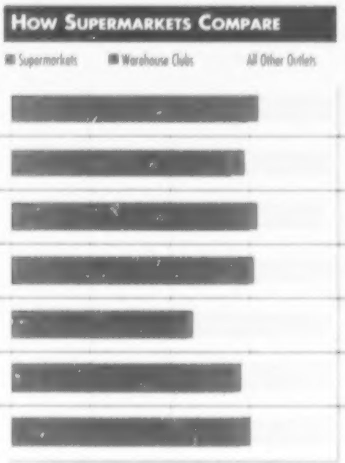
Percent of Sales by Class of Trade

	All Outlet Unit Volume (millions)	Supermarkets ($2 million +)	Convenience Stores	Warehouse Clubs	Other Food Stores	Drug Stores	Mass Merch.	Other Non Food Stores
Charcoal	118.9	73%	1%	1%	10%	3%	10%	2%
▶ Tape, All Kinds	174.1	25%	1%	2%	2%	21%	39%	10%
Insecticide, Indoor	106.5	52%	1%	2%	7%	8%	22%	8%
▶ Insecticide, Outdoor	17.7	42%	1%	1%	7%	6%	29%	14%
▶ Insect Repellent	16.2	37%	1%	2%	4%	15%	34%	7%
▶ Light Bulbs	461.3	39%	0%	3%	3%	9%	34%	12%
Home Canning Supplies	56.9	62%	1%	1%	15%	1%	13%	7%
▶ Air Fresheners/Deodorizers	243.0	56%	0%	1%	5%	8%	26%	4%
▶ Water Conditioners	35.4	58%	0%	8%	7%	0%	9%	16%
CATEGORY TOTAL	**1,229.9**	**46%**	**0%**	**2%**	**5%**	**9%**	**28%**	**9%**

As a group, the categories under the umbrella of household supplies have the lowest percentage of total sales generated by supermarkets of any group within the dry grocery nonfoods department (46%). While supermarkets still command the largest share, 28% of total volume now moves through mass merchandisers, and 9% each to drugstores and other nonfood outlets.

In the group's most important category, light bulbs, supermarkets have a 39% share, which is nearly matched by mass merchandisers who now hold 34%. In the case of household tape, mass merchandisers (39%) outsell supermarkets (25%), while drug stores also have a high share of sales (21%). The tape category is the supermarket's poorest showing among all the categories in the dry grocery nonfoods department.

LAUNDRY SUPPLIES



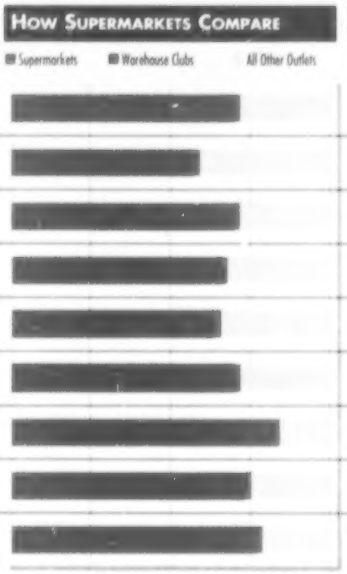
Percent of Sales by Class of Trade

	All Outlet Unit Volume (millions)	Supermarkets ($2 million +)	Convenience Stores	Warehouse Clubs	Other Food Stores	Drug Stores	Mass Merch	Other Non Food Stores
Bleach	563.4	75%	1%	3%	8%	2%	10%	1%
▶ Fabric Softener	487.5	70%	0%	4%	7%	3%	14%	2%
Detergent, Liquid, Heavy-Duty	459.3	75%	0%	2%	7%	4%	11%	1%
Detergent, Dry, Powder/Flakes	784.5	75%	1%	1%	9%	3%	10%	1%
Starch	93.2	56%	2%	1%	7%	9%	22%	3%
Laundry Pre-Treatments/Cleaners	87.1	71%	0%	1%	6%	4%	15%	3%
CATEGORY TOTAL	**2,474.9**	**73%**	**1%**	**2%**	**8%**	**3%**	**12%**	**1%**

Hasn't everyone's mom always turned to the supermarket to stock up on laundry products? It's what most of us remember, and it's at least 75% true today. That's the share of total sales of powdered detergents, liquid detergents and bleach that are accounted for by supermarkets today.

Supermarkets do face some stiff competition from mass merchandisers when it comes to starch. These discounters sell about 22% of the product compared with 56% in supers.

PAPER/PLASTIC PRODUCTS



Percent of Sales by Class of Trade

	All Outlet Unit Volume (millions)	Supermarkets ($2 million +)	Convenience Stores	Warehouse Clubs	Other Food Stores	Drug Stores	Mass Merch.	Other Non Food Stores
Aluminum Foil	351.3	71%	1%	1%	9%	4%	12%	2%
Diapers, Disposable	394.5	58%	0%	2%	6%	6%	20%	8%
Coffee Filters	130.8	71%	1%	1%	8%	5%	12%	2%
Cups, Disposable	324.0	67%	0%	1%	8%	4%	17%	3%
Plates, Disposable	488.7	65%	0%	1%	7%	5%	18%	4%
Facial Tissue	1,151.2	71%	0%	1%	6%	7%	14%	1%
Oven Cooking Bags	20.5	85%	0%	0%	10%	1%	3%	1%
Paper Napkins	488.2	74%	0%	1%	7%	3%	11%	4%
Paper Towels	2,232.0	78%	0%	1%	6%	4%	9%	2%

The movement of the various categories in the paper and plastic products group through supermarkets varies greatly, from a low of 52% for premoistened cleaning wipes to a high of 85% for oven cooking bags. The larger categories have a moderating influence, resulting in a 73% share of the group's total sales.

Toilet paper has the largest unit volume in the group, with sales of over 2.5 billion units, of which 75% are sold in supermarkets. Supermarkets also sell enough paper towels to encircle the globe many times over, roughly 78% of the over 2.2 billion rolls bought by shoppers annually.

Mass merchandisers are the second largest sellers of paper and plastic products. They generally move from 15 to 20% of the total in most categories. The notable exceptions are,

(Continued on page 60)

Source: Nielsen Marketing Research

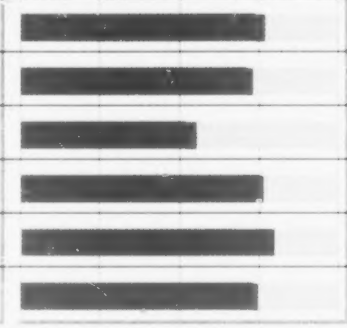
DRY GROCERY-NONFOOD continued on page 60

DRY GROCERY-NONFOOD

PAPER.PLASTIC PRODUCTS

(Continued from page 56)

How Supermarkets Compare



Percent of Sales by Class of Trade

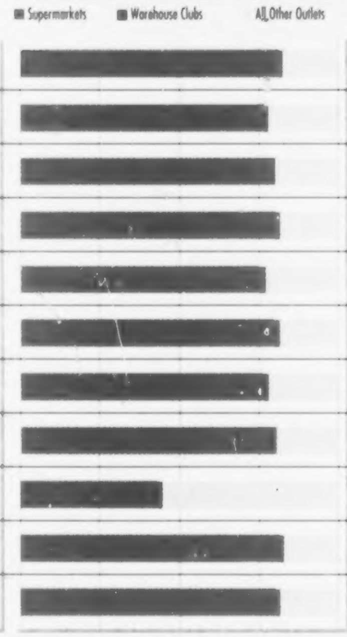
	All Outlet Unit Volume (millions)	Supermarkets ($2 million +)	Convenience Stores	Warehouse Clubs	Other Food Stores	Drug Stores	Mass Merch.	Other Non Food Stores
Plastic Kitchen Wrap	127.8	79%	0%	1%	8%	3%	8%	1%
Plastic Sandwich/Food Storage/Freezer Bags	397.9	74%	0%	3%	7%	2%	12%	2%
Plastic Garbage Bags/ Can Liners	525.4	71%	0%	2%	7%	3%	15%	2%
Cleaning Wipes, Pre-Moistened	153.2	52%	0%	3%	4%	16%	20%	5%
Toilet Paper	2,517.0	75%	1%	1%	9%	4%	9%	1%
Waxed Paper	45.8	80%	0%	0%	9%	2%	8%	1%
CATEGORY TOTAL	**9,348.3**	**73%**	**0%**	**1%**	**7%**	**4%**	**12%**	**2%**

(Continued from page 56)
again, the largest selling paper categories, in which mass merchandisers account for only 9% of paper towel and toilet paper sales, and only 14% of facial tissue sales.

Disposable diapers are unique in that their annual sales represent only 395 million units, but a whopping $3.4 billion — greater than toilet paper and about twice the dollar volume of paper towels. Supermarkets sell about 58% of the total, mass merchandisers 20% and drug stores only 6%. Miscellaneous food and nonfood stores split 14%.

PET PRODUCTS

How Supermarkets Compare



Percent of Sales by Class of Trade

	All Outlet Unit Volume (millions)	Supermarkets ($2 million +)	Convenience Stores	Warehouse Clubs	Other Food Stores	Drug Stores	Mass Merch.	Other Non Food Stores
Cat Food, Canned	3,843.8	82%	0%	1%	8%	2%	4%	3%
Cat Food, Dry	426.0	77%	1%	1%	10%	1%	6%	4%
Cat Food, Moist	99.9	81%	1%	0%	8%	2%	6%	2%
Dog Food, Canned	1,987.6	81%	0%	1%	10%	1%	4%	3%
Dog Food, Dry	335.7	76%	1%	1%	10%	1%	5%	6%
Dog Food, Moist	57.3	80%	0%	2%	13%	2%	2%	1%
Cat Litter	191.2	77%	1%	1%	8%	2%	9%	2%
Dog Biscuits/Cat Treats	380.7	81%	0%	0%	8%	2%	5%	4%
▶ Flea/Tick Care Products	47.2	44%	0%	1%	5%	12%	32%	6%
Wild Bird Seed	60.4	82%	0%	1%	6%	6%	14%	11%
CATEGORY TOTAL	**7,429.8**	**81%**	**0%**	**1%**	**9%**	**2%**	**5%**	**3%**

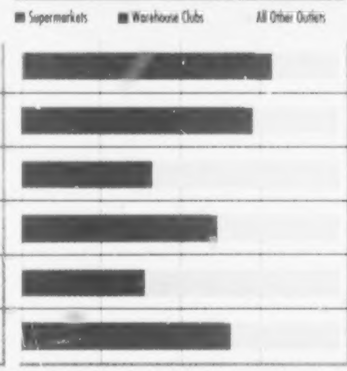
If you feel that business is going to the dogs, you can rest easy because the dogs are going to the supermarket, and bringing the cats and birds along with them. Eighty-one percent of all pet products are sold in supers.

Supermarkets are doing particularly well with canned cat and dog foods (82% and 81% respectively). Dry foods for both are a little slower, with supermarkets bringing in 77% and 76% respectively. Remember that despite having a unit volume of only 335.7 million packages, dry dog food has the highest dollar volume, over $2.2 billion.

One interesting dimension in this group is the diminished presence of pet stores and animal nutrition outlets. Those outlets sell only 3% of the group total for these categories. Only in dry dog food (6%) and wild bird seed (11%) do these stores have a larger share. Mass merchandisers sell about a third of the flea and tick care products, which falls slightly below the 44% sold in supermarkets.

SOAPS, NON-LAUNDRY

How Supermarkets Compare



Percent of Sales by Class of Trade

	All Outlet Unit Volume (millions)	Supermarkets ($2 million +)	Convenience Stores	Warehouse Clubs	Other Food Stores	Drug Stores	Mass Merch.	Other Non Food Stores
▶ Automatic Dishwashing Compounds	216.1	74%	0%	5%	6%	3%	11%	1%
Dishwashing Liquid/ Light Duty Detergent	648.2	71%	0%	2%	8%	4%	13%	2%
▶ Hand Cleaners	6.3	41%	0%	0%	2%	3%	27%	27%
Hand and Bath Soap	1,154.1	60%	0%	2%	7%	15%	14%	2%
▶ Bath Additives	62.1	39%	0%	0%	4%	22%	32%	3%
CATEGORY TOTAL	**2,086.7**	**64%**	**0%**	**2%**	**7%**	**11%**	**14%**	**2%**

The non-laundry soaps group is a good one for mass merchandisers. It represents the second largest share behind supermarkets in all but one of the categories. Bath additives and hand cleaners are especially big sellers for discounters.

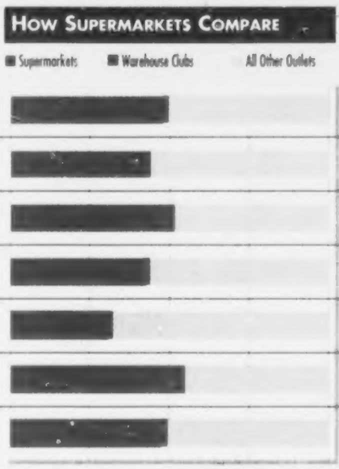
Even though warehouse clubs sell only about 5% of automatic dishwashing compounds, the products represent one of the highest shares held by the membership operators. Due to the nature of the products, drug stores have relatively high shares of the bath additive and hand soap categories.

Source: Nielsen Marketing Research

DRY GROCERY-NONFOOD continued on next page

DRY GROCERY-NONFOOD

TOBACCO



Percent of Sales by Class of Trade

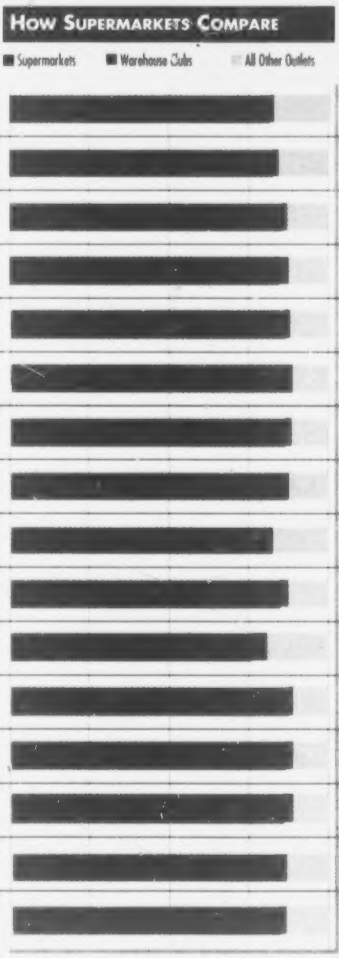
	All Outlet Unit Volume (millions)	Supermarkets ($2 million +)	Convenience Stores	Warehouse Clubs	Other Food Stores	Drug Stores	Mass Merch.	Other Non Food Stores
Cigarettes	12,049.0	48%	12%	2%	10%	8%	7%	13%
Cigars	153.5	44%	9%	0%	13%	16%	7%	11%
Chewing & Smokeless Tobacco	417.1	52%	8%	0%	14%	7%	13%	6%
▶ Disposable Lighters	98.2	43%	2%	1%	6%	15%	25%	5%
Smoking Accessories	36.6	31%	14%	1%	4%	16%	16%	16%
Smoking Tobacco	56.9	55%	2%	0%	10%	12%	10%	11%
CATEGORY TOTAL	**12,811.3**	**48%**	**12%**	**2%**	**10%**	**8%**	**7%**	**13%**

Name a group of categories in which the supermarket has one of its lowest shares, yet which still brings in one of its highest sales dollar amounts. If you said tobacco products, give yourself a cigar!

Cigarettes dominate this group and supermarkets have the largest share of the cigarette market, though it amounts to only 48%. As you might imagine, convenience stores (12%), smaller food stores (10%) and other nonfood stores (13%) also have significant shares.

DAIRY

DAIRY



Percent of Sales by Class of Trade

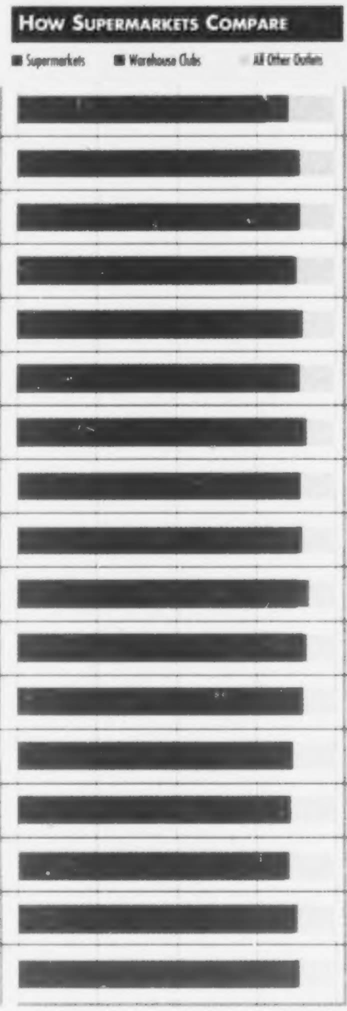
	All Outlet Unit Volume (millions)	Supermarkets ($2 million +)	Convenience Stores	Warehouse Clubs	Other Food Stores	Drug Stores	Mass Merch.	Other Non Food Stores
Milk	5,848.1	82%	4%	1%	11%	0%	1%	2%
Cream	268.4	83%	2%	1%	10%	0%	0%	3%
Eggs	1,910.6	86%	1%	1%	10%	0%	1%	1%
Butter	416.3	85%	0%	3%	10%	0%	1%	1%
Margarine	1,812.9	87%	0%	1%	10%	0%	1%	1%
Cream Cheese	530.8	89%	0%	0%	9%	0%	1%	1%
Sour Cream	453.8	87%	1%	1%	9%	0%	1%	1%
Yogurt	1,644.2	88%	0%	0%	9%	0%	1%	1%
Dips, Ready-to-Serve	169.0	83%	3%	0%	11%	0%	1%	1%
Orange Juice, Refrigerated	847.9	85%	1%	3%	9%	0%	1%	1%
▶ Grapefruit Juice, Refrigerated	84.3	77%	2%	4%	8%	1%	4%	3%
American Cheese, Pasteurized/Processed	713.6	88%	1%	1%	9%	0%	1%	1%
Cheese, Natural or Imported	704.0	87%	1%	2%	9%	0%	1%	1%
Grated Cheese	139.3	86%	0%	3%	8%	0%	1%	1%
Dough Products, Refrigerated/Frozen	869.0	87%	0%	0%	11%	0%	1%	1%
CATEGORY TOTAL	**16,412.1**	**85%**	**2%**	**1%**	**10%**	**0%**	**1%**	**1%**

As one would expect, dairy is still dominated by the food store. In addition to supermarkets (85% of total), other food stores sell 10% of all the dairy products, doing their largest business in the essential items — milk, cream, butter and eggs, as well as refrigerated dips and dough products. Convenience stores sell 2% of the group, while warehouse clubs do only 1% of the total.

Nonfood stores have a combined total of only 2% of the sales in the dairy group. This is divided equally between mass merchandisers and other nonfood stores. To date, drug stores have built no tangible share of dairy product sales, despite media reports of drug chains adding food departments that include refrigerated sections.

Source: Nielsen Marketing Research

FROZEN FOODS



PERCENT OF SALES BY CLASS OF TRADE

FROZEN FOODS	All Outlet Unit Volume (millions)	Supermarkets ($2 million +)	Convenience Stores	Warehouse Clubs	Other Food Stores	Drug Stores	Mass Merch.	Other Non Food Stores
▶ Poultry	121.2	78%	0%	7%	11%	0%	1%	2%
Fish/Seafood	307.5	87%	0%	2%	9%	0%	1%	1%
Prepared Dinners/Entrees	2,833.7	88%	0%	1%	9%	0%	1%	1%
Pizza	662.5	87%	1%	1%	9%	0%	1%	1%
Corn on the Cob	92.1	88%	0%	2%	8%	0%	0%	1%
Potato Products	810.5	88%	0%	1%	9%	0%	0%	1%
Vegetables, Plain	1,193.0	90%	0%	1%	7%	0%	0%	1%
Vegetables, Prepared	261.5	89%	0%	0%	8%	0%	0%	1%
Orange Juice	885.7	88%	0%	2%	9%	0%	1%	1%
▶ Breakfast, Frozen	221.6	88%	0%	4%	7%	0%	1%	2%
French Toast/ Pancakes/Waffles	328.9	90%	0%	1%	8%	0%	0%	1%
Bread Products	323.5	89%	0%	1%	8%	0%	0%	1%
Desserts, Frozen	305.3	87%	0%	0%	9%	0%	1%	1%
Ice Cream/Sherbet/Ice Milk	1,216.3	86%	2%	0%	10%	1%	0%	1%
Ice Cream Novelties	705.2	84%	3%	1%	9%	1%	1%	2%
Yogurt, Frozen	160.8	87%	1%	1%	10%	0%	1%	1%
CATEGORY TOTAL	**10,429.3**	**88%**	**1%**	**1%**	**9%**	**0%**	**1%**	**1%**

Source: Nielsen Marketing Research

The share of frozen food sales controlled by supermarkets is greater than that which they boast in other groups of categories (88%). In fact, three of the top five categories in terms of overall supermarket sales are in the frozen section — plain vegetables, and french toast/waffles/pancakes (each with 90%) and prepared vegetables (89%).

The only other retailers with any significant share of frozen food sales are the smaller food stores (9%). No other class of trade, including convenience and warehouse clubs, has more than 1% of sales. One category is somewhat different than the others. Frozen poultry reflects supermarkets' lowest category share among frozen items (78%). Smaller food stores capture 11% of sales, and warehouse clubs held 7%.

Continued from page 38

those items that tend to be bought on impulse, but aren't necessities. For instance, they sell 3% of the snacks group, 3% of the soft drinks group and 9% of the beer group. Among grocery staple items, only milk (4%) is a strong category for the C-stores. Bread, eggs, refrigerated juices and essential paper goods are not high share items for these outlets.

If it weren't for tobacco products, especially cigarettes, many convenience stores would probably be hard-pressed to survive. Tobacco ranks as the item in which convenience stores have their highest share of overall unit sales. They sell 12% of all cigarettes and other tobacco related items. In no other product category do they approach that share.

"Other food stores," the miscellaneous cluster of small grocers and specialty food retailers, may too often be overlooked by supermarket operators as serious competition. The truth is that, despite concerns over other classes of trade, these stores remain the most significant rivals for supermarkets in most common product areas.

They have the second-highest share of sales after supermarkets in every group of food categories, with the exception of the candy group. Although they do no more than 11% of any group's total sales, they easily surpass the combined shares of both convenience stores and warehouse clubs in every category group.

"Other nonfood stores" is the classification for specialty retailers of non-edible products other than drug stores and mass merchandisers. Examples include home centers, hardware stores, toiletry stores, pet shops, pet nutrition centers and photo/camera stores. However, liquor stores as well as the retail outlets operated by soda and beer distributors are also classified here by Nielsen Marketing Research.

The average household makes about 81 shopping trips a year to a grocery store. That's triple the number of visits to mass merchandisers and other nonfood specialty stores, and far exceeds jaunts to drug stores and warehouse clubs.

While the average supermarket transaction ($22.75) pales alongside that of warehouse clubs ($56.68) and even trails the mass merchandisers ($28.06), the greater frequency allows supermarkets to bring in by far the largest share of household spending in retail stores.

Nielsen's research puts average household spending in grocery stores at $1831.56 a year, compared to $755.72 in mass merchandise units, $452.43 in other nonfoods outlets and just $378.42 in clubs.

Clearly, the supermarket remains the most important class of trade to most consumers when it comes to food and the most-closely aligned merchandise categories. While there is no question that other retailers have taken some volume away from supermarkets, in most categories the amount is not significant.

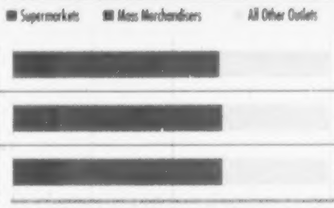
Again, the issue becomes more complicated in nonfoods, as the lines between competitors in a growing number of overlapping product categories continue to blur, offering more and more of the same products to consumers.

"Class of trade" and "level playing field" debates will doubtless rage on between the retail buyers and their suppliers. But consumers will continue to opt for the combination of convenience, quality, selection and price that best suits their needs — and that is by far most often the supermarket. ■

General Merchandise

AUTO SUPPLIES

HOW SUPERMARKETS COMPARE



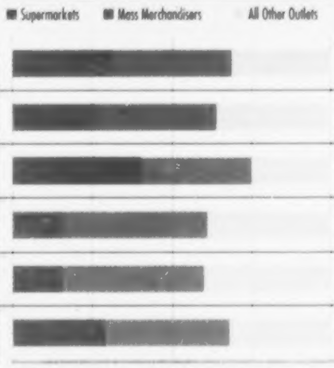
PERCENT OF SALES BY CLASS OF TRADE

	All Outlet Unit Volume (millions)	Supermarkets ($2 million +)	Convenience Stores	Warehouse Clubs	Other Food Stores	Drug Stores	Mass Merch.	Other Non Food Stores
Auto Wax/Cleaners/ Protectants	47.8	13%	0%	2%	2%	8%	52%	22%
Motor Oil	537.3	15%	1%	2%	2%	3%	51%	28%
CATEGORY TOTAL	585.1	15%	1%	2%	2%	3%	51%	28%

Auto supplies are dead last on the supermarket share of sales hit parade. Only 15% of the group's sales goes through supermarkets. Mass merchandisers receive the majority of sales (51%), with other nonfood stores including auto supplies, home centers and service stations selling 28%.

MISC. GENERAL MERCHANDISE

HOW SUPERMARKETS COMPARE



PERCENT OF SALES BY CLASS OF TRADE

	All Outlet Unit Volume (millions)	Supermarkets ($2 million +)	Convenience Stores	Warehouse Clubs	Other Food Stores	Drug Stores	Mass Merch.	Other Non Food Stores
Batteries	491.3	31%	1%	1%	3%	17%	38%	10%
Film	302.2	27%	1%	1%	3%	24%	37%	8%
Hosiery	395.9	40%	0%	0%	3%	18%	35%	3%
Garden/Lawn/ Plant/Supplies, Food	221.0	15%	1%	1%	2%	10%	46%	25%
Video Tapes, Purchase	162.1	15%	0%	6%	2%	13%	45%	19%
CATEGORY TOTAL	1,572.5	29%	1%	1%	3%	17%	39%	11%

Mass merchandisers lead almost every category in this wide array of products, selling 39% of the total. They are strongest in sales of garden supplies and video tapes (46% and 45% respectively).

Supermarkets sell 29% of the group total, but they sell 40% of hosiery (compared to 35% for mass merchandisers). Drug stores also do well in this group, with a 17% share of the total, and a 24% slice of the film business. Other nonfood stores, while selling 11% of the total, account for 25% of the sales of garden supplies. Warehouse clubs are relatively strong in sales of blank video tapes (6%).

HEALTH & BEAUTY AIDS

BABY/CHILDREN'S HBA

HOW SUPERMARKETS COMPARE

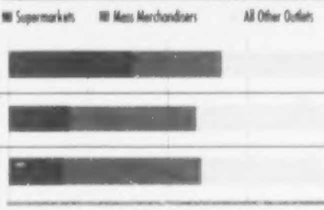
PERCENT OF SALES BY CLASS OF TRADE

	All Outlet Unit Volume (millions)	Supermarkets ($2 million +)	Convenience Stores	Warehouse Clubs	Other Food Stores	Drug Stores	Mass Merch.	Other Non Food Stores
Baby Lotion	11.8	40%	0%	0%	3%	15%	37%	5%
Baby Oil	29.4	37%	0%	1%	3%	18%	40%	1%
Baby Ointments	11.6	43%	1%	1%	3%	23%	21%	8%
Baby Powder	41.3	40%	0%	1%	3%	20%	34%	2%
Baby Bath, Liquid	13.5	50%	0%	0%	1%	13%	31%	5%
Children's Cold Remedies	23.4	47%	1%	1%	4%	26%	20%	1%
Pediatric Analgesic	25.1	52%	2%	0%	4%	24%	16%	2%
Children's Vitamins	17.4	53%	0%	0%	6%	15%	24%	2%
Baby Bottles and Nipples	83.9	38%	1%	0%	3%	15%	35%	8%
Baby Accessories	63.8	24%	0%	0%	2%	12%	48%	14%
CATEGORY TOTAL	321.2	39%	1%	0%	3%	17%	34%	6%

The majority of sales of health and beauty aids for babies/children are divided among supermarkets (39%), mass merchandisers (34%) and drug stores (17%). Supermarkets sell about half of all children's vitamins, analgesics, cold remedies and bath liquids. Mass merchandisers sell more baby accessories (48%) than the other outlets. The baby accessories category is the only one in the group representing any substantial share of business for other nonfood stores (14%). Mass merchandisers outsell drug stores in most of the categories in this group, with the only exceptions being cold remedies and analgesics.

COSMETICS

HOW SUPERMARKETS COMPARE



PERCENT OF SALES BY CLASS OF TRADE

	All Outlet Unit Volume (millions)	Supermarkets ($2 million +)	Convenience Stores	Warehouse Clubs	Other Food Stores	Drug Stores	Mass Merch.	Other Non Food Stores
Acne Remedies	55.0	39%	0%	0%	3%	28%	28%	2%
Blusher	25.0	19%	0%	0%	2%	34%	40%	5%
Face Powder	37.0	19%	0%	0%	2%	33%	42%	4%

Mass merchandisers and drug stores share 75% of overall cosmetics category sales. Supermarkets sell about a quarter of the group. It will be interesting to see if a shift in the distribution materializes as more supers introduce cosmetics service counters. Acne remedies are a different story, with supermarkets outselling

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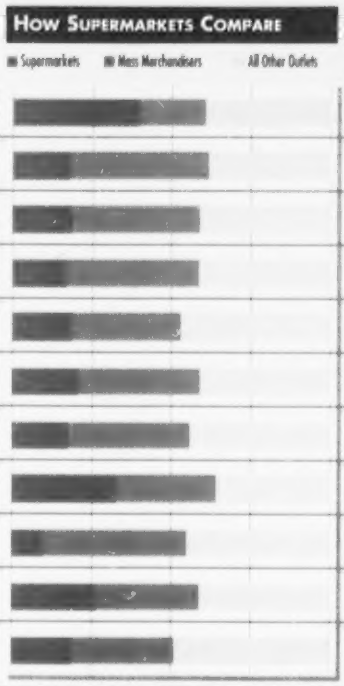
Source: Nielsen Marketing Research

HEALTH AND BEAUTY AIDS continued on next page

HEALTH & BEAUTY AIDS

COSMETICS

(Continued from page 66)

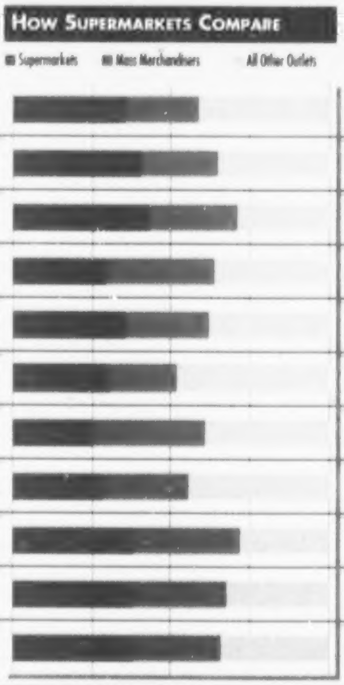


Percent of Sales by Class of Trade

	All Outlet Unit Volume (millions)	Supermarkets ($2 million +)	Convenience Stores	Warehouse Clubs	Other Food Stores	Drug Stores	Mass Merch.	Other Non Food Stores
Foundation, Liquid	42.2	18%	0%	0%	2%	33%	44%	3%
Eye Liner	44.4	19%	0%	0%	3%	35%	40%	3%
Eye Shadow	37.4	17%	0%	0%	1%	35%	42%	4%
Lipstick/Lip Gloss	83.1	19%	0%	0%	1%	38%	34%	6%
Mascara	56.6	21%	0%	0%	2%	36%	38%	3%
Nail Polish	89.9	18%	0%	0%	3%	37%	38%	4%
Nail Polish Remover	50.5	33%	1%	0%	4%	27%	31%	4%
Perfume/Cologne, Women's	23.1	10%	0%	0%	2%	39%	45%	4%
Facial Cleansers, Lotions, Creams	126.3	27%	1%	1%	4%	32%	32%	3%
Cosmetic Accessories	12.8	19%	0%	0%	1%	45%	32%	3%
CATEGORY TOTAL	**683.4**	**23%**	**0%**	**0%**	**3%**	**34%**	**36%**	**4%**

(Continued from previous page) both drug stores and mass merchandisers (28% each). However, the mass merchants command the largest individual share of such traditional makeup items as foundation, powder, eye shadow and eye liner. They also lead the pack in selling fragrances (45%), while drug stores have a 45% share of cosmetics accessories volume. Sales of cleansers and nail polish removers are fairly evenly divided between supermarkets, drug stores and mass merchandisers.

FIRST AID/ SKIN CARE

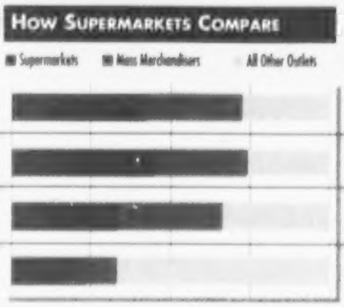


Percent of Sales by Class of Trade

	All Outlet Unit Volume (millions)	Supermarkets ($2 million +)	Convenience Stores	Warehouse Clubs	Other Food Stores	Drug Stores	Mass Merch.	Other Non Food Stores
Athlete's Foot Remedies	20.7	36%	0%	0%	4%	34%	23%	3%
Adhesive Bandages	91.3	41%	1%	2%	4%	26%	24%	0%
Cotton/Cotton Swabs	159.7	44%	0%	3%	5%	19%	27%	2%
Body/Talcum Powder	23.8	30%	0%	2%	3%	29%	34%	2%
Lip Balm	49.6	36%	1%	0%	3%	30%	26%	4%
Sunburn Remedies	8.2	31%	2%	0%	4%	41%	21%	1%
Sunscreen/Suntan Products	21.4	26%	1%	1%	2%	31%	35%	3%
Corn/Wart Removers	42.0	29%	0%	0%	3%	37%	27%	4%
Groin Irritation Remedies	2.5	38%	2%	0%	1%	25%	34%	0%
Hand and Body Lotion	182.6	38%	0%	2%	4%	23%	30%	3%
CATEGORY TOTAL	**601.7**	**38%**	**0%**	**2%**	**4%**	**25%**	**28%**	**2%**

More first aid products are sold in supermarkets than in any other retail stores, with 38% of the category's volume moving through supermarket checkouts. Supermarket sales are especially strong for two of the three largest sellers in the group, bandages (41%) and cotton (44%). Hand and body lotions are the overall best sellers in the classification, and supers hold 38% of that business. Although mass merchandisers (35%), drug stores (31%) and supermarkets (26%) are splitting sales of suntan lotion and sunblocks fairly evenly, consumers seem to associate pain relief with drug stores, which sell 41% of all sunburn remedies compared with a 31% share for supermarkets and 21% for mass merchandisers.

HAIR CARE



Percent of Sales by Class of Trade

	All Outlet Unit Volume (millions)	Supermarkets ($2 million +)	Convenience Stores	Warehouse Clubs	Other Food Stores	Drug Stores	Mass Merch.	Other Non Food Stores
Conditioners/Creme Rinses	274.5	42%	0%	1%	4%	20%	30%	3%
Shampoos	581.7	45%	0%	2%	4%	18%	29%	3%
Shampoo/Conditioner Combinations	25.0	33%	0%	4%	4%	24%	33%	2%
Hair Coloring, Men's	10.6	13%	0%	0%	3%	61%	20%	3%

There are four essential grooming items according to unit sales; shampoo, conditioner, hairspray and styling mousses/gels. Supermarkets (37%) and mass merchandisers (34%) are the most popular suppliers of hair care products, followed by drug stores with 22% of the volume. Supermarkets pull in especially high shares of the shampoo (45%) and conditioner (42%) business. Some variations in purchasing

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Source: Nielsen Marketing Research

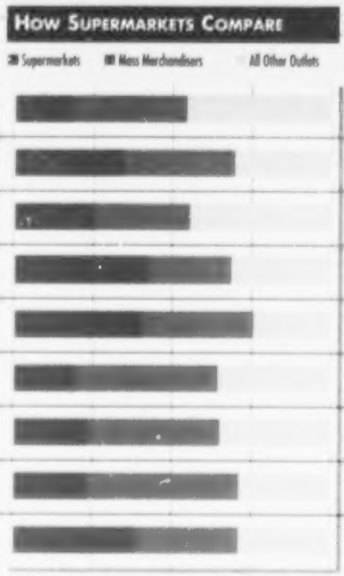
HEALTH AND BEAUTY AIDS continued on next page

HEALTH & BEAUTY AIDS

HAIR CARE

(Continued from page 68)

How Supermarkets Compare



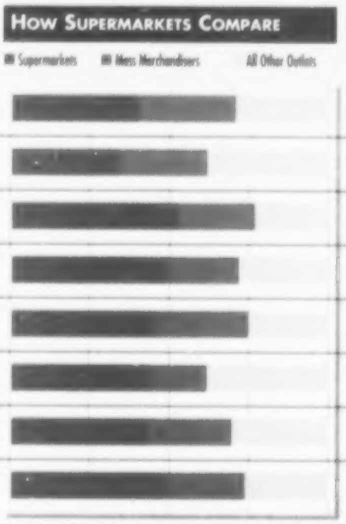
Percent of Sales by Class of Trade

	All Outlet Unit Volume (millions)	Supermarkets ($2 million +)	Convenience Stores	Warehouse Clubs	Other Food Stores	Drug Stores	Mass Merch.	Other Non Food Stores
▶ Hair Coloring, Women's	101.9	18%	0%	0%	2%	38%	38%	4%
▶ Hair Styling Preparations/Gels/Mousses	212.9	34%	0%	1%	3%	24%	35%	3%
▶ Hair Preparations, Men's	17.7	26%	0%	0%	4%	35%	29%	6%
▶ Hair Sprays, Men's	17.4	42%	0%	0%	2%	24%	26%	6%
▶ Hair Sprays, Women's	335.0	40%	0%	1%	3%	19%	35%	2%
▶ Home Permanents	18.2	19%	0%	0%	3%	31%	45%	2%
▶ Combs and Brushes	92.4	23%	1%	0%	3%	26%	42%	5%
▶ Hair Accessories	137.1	23%	0%	0%	2%	22%	48%	5%
CATEGORY TOTAL	**1,824.6**	**37%**	**0%**	**1%**	**3%**	**22%**	**34%**	**3%**

(Continued from previous page) patterns by gender are evident in various hair care categories when broken down by store format. For example, supermarkets sell 42% of all mens' hair spray and 40% of all the womens' variety — a pretty even breakdown. But drug stores sell 61% of mens' coloring products, and only 38% of womens' formulas, with the same share of the latter going to mass merchandisers.

MISCELLANEOUS HBA

How Supermarkets Compare



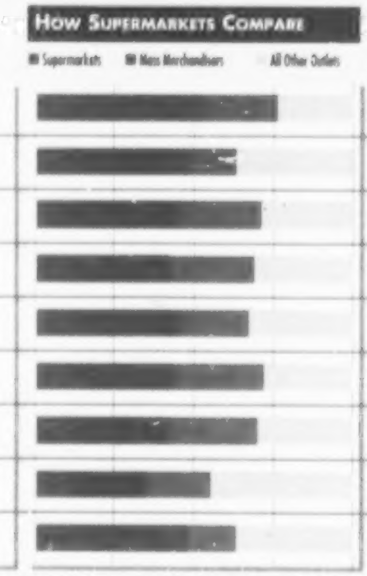
Percent of Sales by Class of Trade

	All Outlet Unit Volume (millions)	Supermarkets ($2 million +)	Convenience Stores	Warehouse Clubs	Other Food Stores	Drug Stores	Mass Merch.	Other Non Food Stores
▶ Feminine Hygiene Douches	155.8	40%	0%	0%	6%	22%	31%	1%
▶ Feminine Hygiene Sprays	4.7	34%	0%	0%	6%	31%	28%	1%
Sanitary Napkins	378.7	53%	0%	1%	5%	15%	24%	2%
Tampons	179.3	49%	1%	1%	5%	19%	23%	2%
▶ Deodorants/Anti-Perspirants	556.9	46%	0%	1%	4%	18%	29%	2%
Adult Incontinence	10.7	44%	0%	0%	2%	36%	18%	2%
▶ Petroleum Jelly	29.2	43%	1%	1%	5%	22%	27%	2%
CATEGORY TOTAL	**1,315.4**	**48%**	**0%**	**1%**	**5%**	**18%**	**27%**	**2%**

Supermarkets cover nearly half (48%) of miscellaneous HBA sales. Mass merchandisers are second with 27%, followed by drug stores with 18%. Other food stores handle 5% of sales. The stellar sellers in the category are deodorants, with over half a billion units sold annually.

ORAL HBA

How Supermarkets Compare



Percent of Sales by Class of Trade

	All Outlet Unit Volume (millions)	Supermarkets ($2 million +)	Convenience Stores	Warehouse Clubs	Other Food Stores	Drug Stores	Mass Merch.	Other Non Food Stores
Toothpaste	673.3	52%	0%	2%	5%	16%	24%	2%
Tooth Powder	5.9	48%	1%	1%	3%	31%	15%	2%
▶ Mouthwash/Dental Rinse	250.1	46%	0%	3%	5%	20%	25%	2%
▶ Toothbrushes	203.6	42%	0%	1%	4%	23%	27%	2%
Dental Floss	48.5	45%	0%	0%	4%	26%	22%	2%
▶ Denture Cleaners	51.8	43%	1%	1%	5%	19%	29%	2%
▶ Denture Adhesives	40.8	42%	0%	0%	5%	25%	28%	2%
Canker Sore/Gum/ Toothache Remedies	15.8	35%	1%	0%	3%	37%	20%	3%
CATEGORY TOTAL	**1,289.8**	**48%**	**0%**	**2%**	**5%**	**19%**	**25%**	**2%**

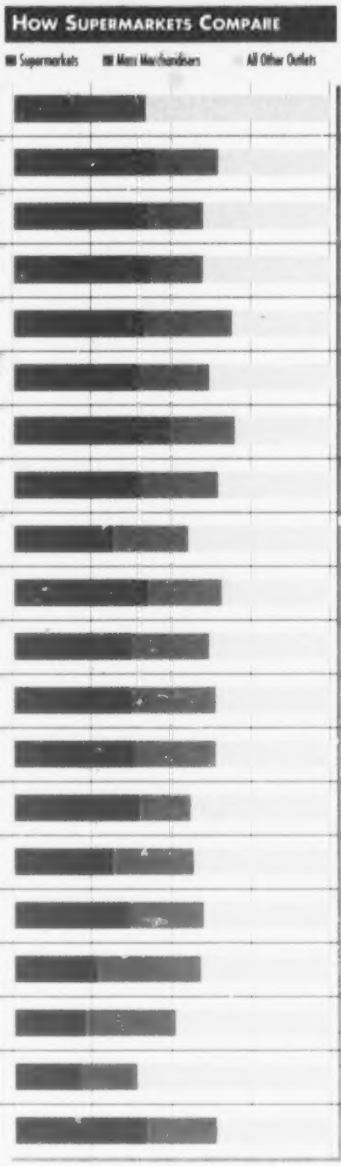
Are consumers putting their money where their mouths are? Maybe not in the healthiest way, considering that oral HBA items accounted for just over 1.29 billion unit sales last year (compared with well over nine billion units in candy sales). Toothpaste accounts for about half of all oral HBA sales. But it appears that toothbrushes aren't being replaced as often as the ads claim is necessary, with only about 200 million sold in one year. Nearly half the items in this group (48%) are being checked out through supermarket counters. Mass merchandisers sell one-fourth and drug stores a fifth. Mouthwash is the best item in the group for warehouse clubs, which hold 3% of total sales.

Source: Nielsen Marketing Research

HEALTH & BEAUTY AIDS

OTC REMEDIES

How Supermarkets Compare



Percent of Sales by Class of Trade

	All Outlet Unit Volume (millions)	Supermarkets ($2 million +)	Convenience Stores	Warehouse Clubs	Other Food Stores	Drug Stores	Mass Merch.	Other Non Food Stores
Asthma Relief Remedies	11.8	22%	1%	0%	4%	51%	20%	1%
Cold/Sinus Remedies	303.5	45%	1%	1%	4%	27%	20%	2%
Cough Medicine	88.8	43%	1%	1%	4%	32%	17%	2%
Diarrhea Remedies	19.3	44%	1%	0%	5%	33%	16%	1%
▶ Diet Aids	158.8	42%	0%	3%	4%	22%	27%	2%
Eye Drops/Eye Wash	30.5	40%	0%	0%	5%	31%	22%	2%
Internal Analgesics	487.1	50%	1%	2%	5%	20%	20%	2%
Menstrual Remedies	16.5	41%	1%	0%	6%	27%	24%	1%
Hemorrhoid Remedies	23.8	32%	0%	0%	2%	40%	23%	2%
Antacids/Anti-Gas Remedies	333.0	43%	1%	1%	5%	25%	23%	2%
Laxatives	114.8	38%	1%	0%	4%	31%	24%	2%
▶ Nasal Products	54.3	38%	1%	0%	3%	30%	26%	2%
▶ Sleeping Aids	19.3	39%	4%	1%	3%	27%	25%	1%
Throat Lozenges	39.7	40%	1%	0%	4%	37%	16%	2%
▶ External Analgesics	109.8	32%	0%	0%	4%	35%	25%	2%
Vitamins	138.8	37%	0%	0%	4%	32%	23%	4%
▶ Contact Lens Care	145.3	27%	0%	0%	2%	36%	32%	2%
▶ Pregnancy Test, In-Home	8.2	23%	0%	0%	2%	43%	28%	4%
Contraceptives	36.7	22%	1%	2%	3%	54%	17%	2%
CATEGORY TOTAL	**2,140.1**	**42%**	**1%**	**1%**	**4%**	**28%**	**23%**	**2%**

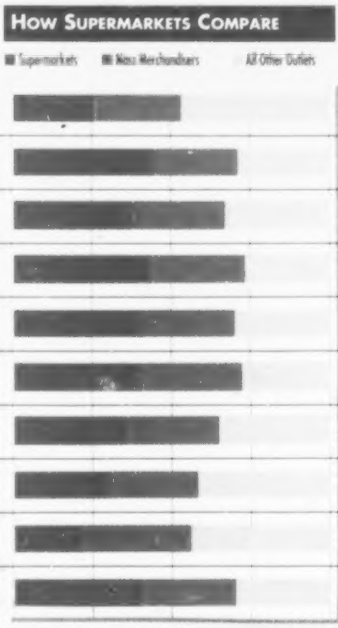
Some people run to the drug store when feeling out of sorts, headachy, stuffed up, dragged out or have trouble sleeping. But more head for the supermarket, where 42% of the sales of over-the-counter remedies for various ailments take place. That compares with the 28% share held by druggists, and the mass merchandisers' 23%.

The best selling items among the non-prescription treatments are analgesics, antacids and cold remedies.

Most asthma sufferers find relief in drug stores, while those troubled with headaches and other pain buy the majority of their needs at supermarkets, which do 50% of total internal analgesic volume. While some insomniacs may be running to convenience stores in the middle of the night for sleeping aids (3% of total sales are done by those units), many more are buying them in supermarkets (39%), drug stores (27%) and mass merchandisers (25%). More than half of all contraceptives (54%) are purchased in drug stores. And for those who aren't using them, the drug stores also sell a healthy share of home pregnancy test kits (43%).

SHAVING NEEDS

How Supermarkets Compare



Percent of Sales by Class of Trade

	All Outlet Unit Volume (millions)	Supermarkets ($2 million +)	Convenience Stores	Warehouse Clubs	Other Food Stores	Drug Stores	Mass Merch.	Other Non Food Stores
▶ Depilatories	9.4	26%	0%	0%	4%	40%	27%	3%
▶ Razor Blades	97.0	45%	1%	1%	3%	22%	26%	2%
▶ Razors (Handles)	15.7	38%	0%	1%	3%	26%	29%	3%
▶ Razors (Disposable)	176.7	44%	0%	1%	4%	19%	29%	2%
▶ Shave Cream, General	130.5	42%	0%	3%	4%	21%	28%	2%
▶ Shave Cream, Women's	9.4	41%	0%	1%	3%	23%	31%	1%
▶ Pre-Shave Products	8.2	36%	0%	0%	4%	25%	29%	6%
▶ After Shave Products	40.7	31%	0%	0%	3%	26%	37%	3%
▶ Men's Shaving Accessories	15.3	22%	1%	0%	2%	31%	34%	10%
CATEGORY TOTAL	**502.9**	**41%**	**0%**	**1%**	**4%**	**22%**	**29%**	**2%**

Judging from the sales of these items, it appears that disposable razors and shaving cream are the top two enemies of stubble, with sales of the former outpacing the more traditional razors and blades.

For the entire group, supermarkets lead the way with 41% of the business. Mass merchandisers and drug stores follow with 29% and 22% respectively. However, mass merchandisers hold the largest share of after-shave product volume, with 37% compared with supermarkets' 31%. The market for womens' shave cream remains small (9 million units sold) compared with general purpose lather at 130 million units.

Source: Nielsen Marketing Research

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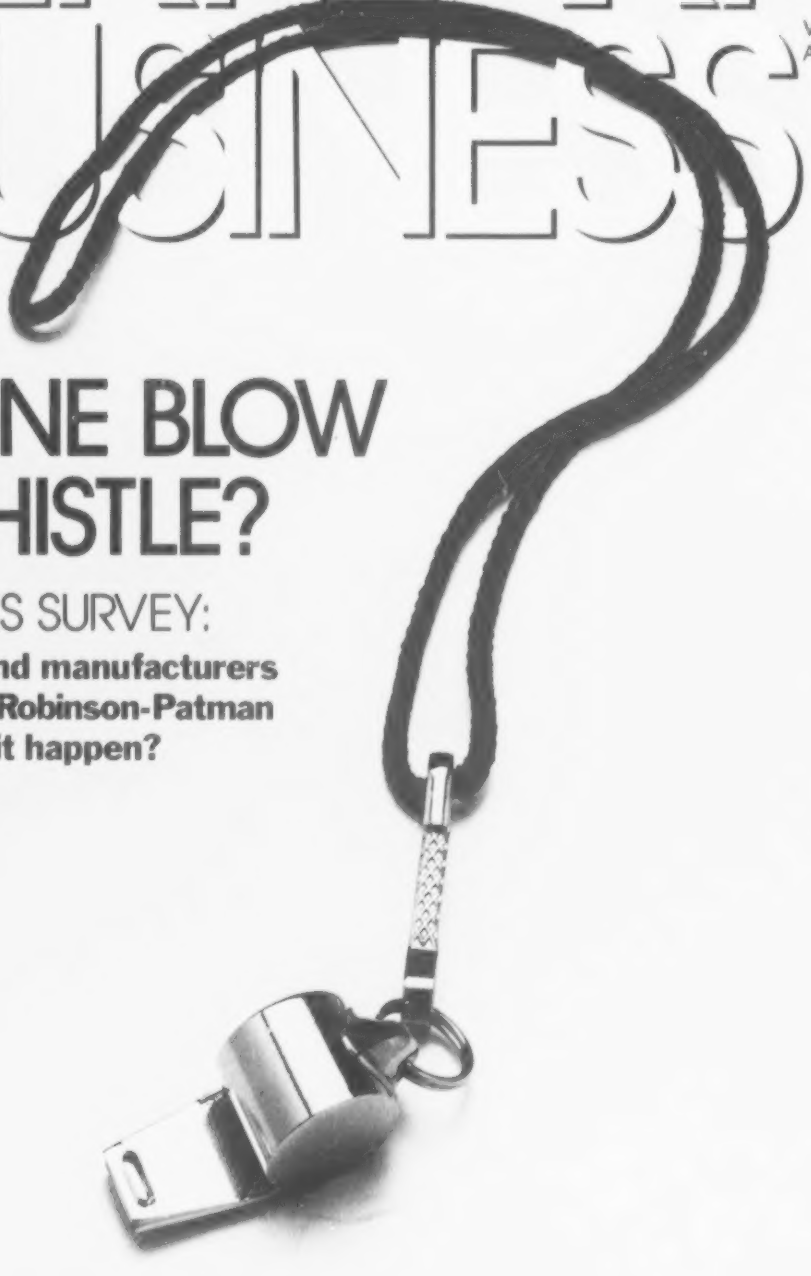

WILL ANYONE BLOW THE FTC WHISTLE?

1992 TRADE PRACTICES SURVEY:

Most retailers, wholesalers and manufacturers say stronger enforcement of Robinson-Patman would be beneficial. But will it happen?

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SUPERMARKET BUSINESS

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FEATURES

TRADE PRACTICES: WHO WILL BLOW THE WHISTLE? KEN PARTCH 29

Most people at every level of the supermarket industry, on both the retailer and supplier side, favor tougher enforcement of anti-trust laws such as the Robinson-Patman Act, according to our new trade practices survey. So why isn't the Federal Trade Commission, the agency charged with doing just that, getting the message?

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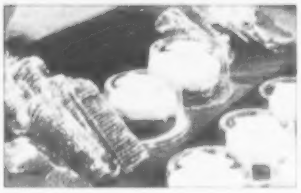
TAKING QUALITY ON THE ROAD MIKE DUFF 39

The potential for foodservice safety slip-ups can cause any supermarket operator sleepless nights. But rather than spending time tossing and turning, the Wakefern co-op is taking preventive action, with quality control vans that conduct safety inspections as an on-site service to its members' stores.

WHO'S SORRY NOW? AN OBJECT LESSON FRANK HAMMEL 41

If a harsh new local plastics ban is enforced, St. Paul, Minnesota retailers won't be able to sell and consumers won't be able to buy a host of their favorite grocery products. How did it happen? If a similar initiative should pop up in your neighborhood, what should you do to nip the nonsense in the bud?

INSTORE BUSINESS



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THE 10th ANNUAL BAKERY OPERATIONS REVIEW 45

DAVID LITWAK AND NANCY MALINE

Bread is basic. And with its high margins, there's plenty of dough in it...especially, it seems, in time of recession: Collectively, service bakery products posted sharp sales increases in 1991. See inside for more details on these and other key 1991 bakery benchmarks.

NONFOODS BUSINESS

KEEPING THE MOOLA IN ROUGE FRANK HAMMEL 69

Competitively, sometimes the worst thing to do is to try to play your opponents' game. So, under pressure from discounters, traditionally price-oriented supermarket operators like King Soopers and Cub have switched to counter service in cosmetics. What are their odds of keeping sales and maximizing margins?

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Cover Photograph:
David DiMicco/E-Ticket Productions

EDITOR'S VIEW

CAN WE GET OFF DREAM STREET?

By Ken Partch, Editor-In-Chief

Two years ago, SUPERMARKET BUSINESS conducted the industry's first survey on slotting allowances and related industry practices. We learned that this was not only a hot issue, but one that industry people *did* want to talk about. This year, we asked pretty much the same questions again, and got pretty much the same responses, even though a lot has changed.

The great majority still feels that Robinson-Patman should be enforced. The great majority also feels that the manufacturers are the only ones who can stop diverting—assuming anybody wants it stopped.

Why, then, have reactions in the trade to the Procter & Gamble move toward everyday low prices been so volatile, and so different? They have ranged from "Let's see if they can pull it off," said in a tone of disbelief that they can, to "Great. I like it."

I admit that most of the people who have said they liked the P&G move are smaller operators. When you think about it, it is easy to see why. One of the people who likes it is Jules Rose, chairman of Sloan's in New York. Julie points out that EDLP is good for smaller operators, as well as smaller manufacturers, who haven't been able to play in the heavy money games of the '80s.

Julie says: "It's good because it will force us to get back to being marketers and merchants. Throwing a lot of money around is a lot easier than being a creative marketer. It means we have to start making money on selling rather than buying."

Another retailer who says he likes it is Rick Geeslin. Rick is general manager of an 11-store chain in Azie, Texas, called Diamond Food Markets, Inc. Rick tells it straight from the shoulder, just the way a Texan should: "What Procter is doing," says Rick, "is putting the product out there and saying this is the price; take it or leave it. Those who don't like it are those who feel they have an advantage the way things are. They don't want to lose that advantage. If I had it, I'd feel the same way, but I don't have it. So I like what Procter is doing."

As strange as it may seem, many in the industry still don't comprehend that all the money in the system comes from the consumer.

We asked Julie for a translation of what people mean when they say: "Procter is trying to tell me how to run my business."

"What they mean," says Julie, "is that Procter is trying to regain control of its own business. It had lost control, the same as all the other big manufacturers. The manufacturers have all this money going out up front. Up to now, they've been able to raise prices to cover anything they wanted to do. Now they can't. This recession is lasting longer than anybody thought it would. Private label is growing. Total sales are off. Inflation is off. They have to pull back. It's the same with Kraft. And don't think they're not into EDLP. The clubs allow them to pull back on some of this money, because they are an alternative outlet."

I talked to a midwestern wholesaler at the NAWGA meeting last month who also thought Procter was on the right track. He didn't want to be quoted, but he did have this to say about diverting:

"We bought a load of coffee one time, and then diverted it," he said. "We made money on it. Then, about six months later, we bought another load of coffee from somebody else. We discovered that we had bought the same load of coffee again. We could tell from the case labels. We had bought our own coffee back. The really funny part is that we made money both times."

I can't help wondering where this coffee actually originated, and if anybody ever actually used it. No wonder some manufacturers are beginning to complain about the age of the product now in the system.

One of the statements we made two years ago in our survey, and again this year, was: "Consumers ultimately pay for slotting allowances and other distributor fees." We originally thought this was an obvious conclusion, or a "throwaway," as it's called in the survey business.

We were wrong. There is actually a difference of opinion on this. Sixteen percent of the retailers responding thought the statement was "not true." Eleven percent of the wholesalers felt the same way—down from 29 percent in 1990. Curiously, no manufacturers in this year's survey branded the statement untrue, although they, too, were divided as to just how true it is.

If there is a difference of opinion as to where the money that finances the entire system comes from, then it should be no surprise that a majority of replies to the question of what constitutes a fair slotting allowance was: "Anything the traffic will bear."

SUPERMARKET BUSINESS

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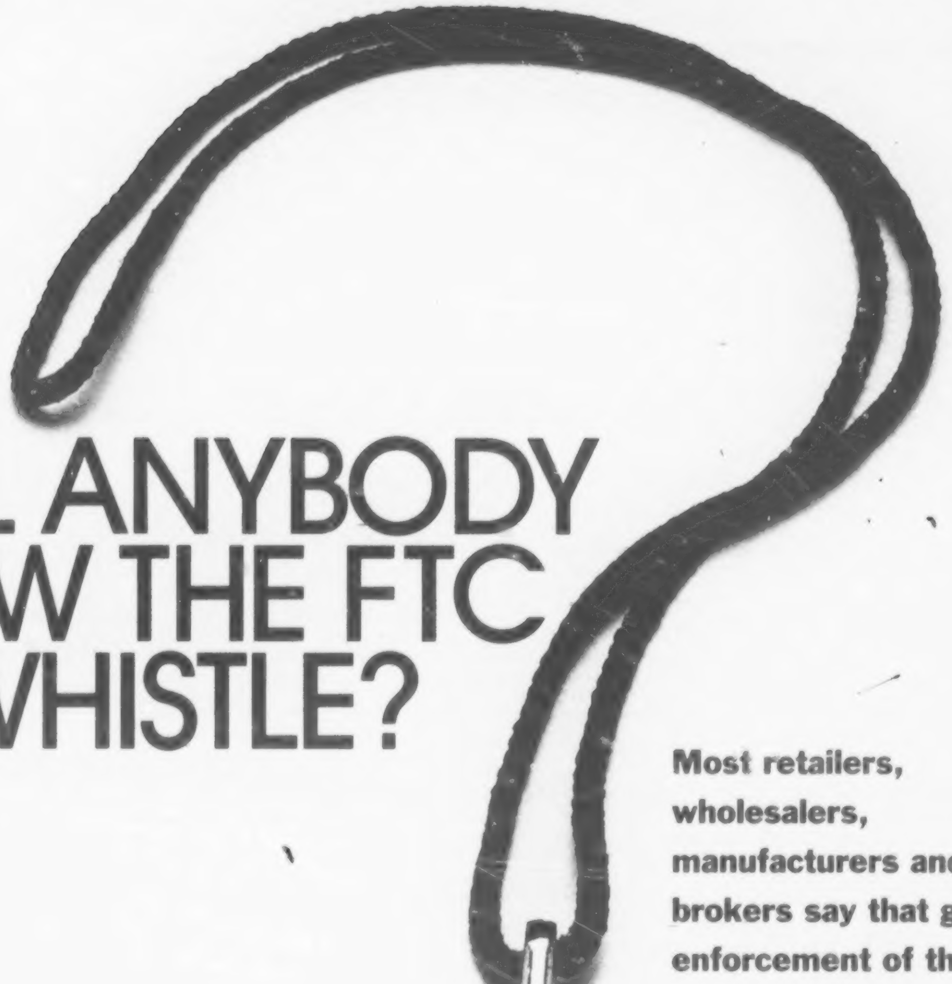

WILL ANYBODY BLOW THE FTC WHISTLE?

Most retailers, wholesalers, manufacturers and food brokers say that greater enforcement of the Robinson-Patman Act would help to curb abuses in the marketing of grocery products. Yet few have requested that the Federal Trade Commission take action. Why?

BY KEN PARTCH

1992 TRADE PRACTICES SURVEY

TOP MANAGEMENT SURVEY

Grocery manufacturers are making very high profits these days.

	RETAILER		WHOLESALER		MANUFACTURER	
	1992	1990	1992	1990	1992	1990
Strongly Agree	33%	26%	29%	54%	14%	4%
Somewhat Agree	48	62	59	23	32	17
Somewhat Disagree	18	9	12	23	36	44
Strongly Disagree	0	3	0	0	18	35

Comments: Some are; some aren't (w).

Retailers are not sharing in high profits to the same degree.

	RETAILER		WHOLESALER		MANUFACTURER	
	1992	1990	1992	1990	1992	1990
Strongly Agree	45%	56%	44%	50%	23%	0%
Somewhat Agree	39	33	56	22	28	39
Somewhat Disagree	15	10	0	18	14	48
Strongly Disagree	0	1	0	0	36	13

Comments: No one is getting rich in this environment (m).

Wholesalers are not sharing in high profits to the same degree.

	RETAILER		WHOLESALER		MANUFACTURER	
	1992	1990	1992	1990	1992	1990
Strongly Agree	18%	21%	56%	46%	14%	13%
Somewhat Agree	55	50	44	39	38	52
Somewhat Disagree	21	22	0	15	29	22
Strongly Disagree	6	7	0	0	19	13

Manufacturers are flooding the market with too many new products that are not really new or have not been properly test marketed.

	RETAILER		WHOLESALER		MANUFACTURER	
	1992	1990	1992	1990	1992	1990
Strongly Agree	55%	65%	67%	72%	32%	12%
Somewhat Agree	42	31	28	28	32	76
Somewhat Disagree	3	2	5	0	27	12
Strongly Disagree	0	2	0	0	9	0

Diverting can be stopped only by manufacturers.

	RETAILER		WHOLESALER		MANUFACTURER	
	1992	1990	1992	1990	1992	1990
Agree	76%	58%	72%	72%	36%	12%
Somewhat Agree	6	29	22	14	14	35
Somewhat Disagree	15	11	4	14	32	22
Strongly Disagree	3	2	0	0	18	31

Comments: Wholesalers are under no obligation to participate (w).

In every survey conducted by this magazine since 1986, the great majority of respondents at every level of the industry favor greater enforcement of antitrust laws, and especially the Robinson-Patman Act.

This law was written to address abuses of promotional allowances and other actions that favor one segment of the industry over another, or large customers over small. Robinson-Patman requires "proportionately equal" treatment of all retailers by manufacturers. But to date, the only complaints filed with the FTC that we know of are those dealing with the issues concerning food brokers.

If indeed most segments of the industry feel that the playing field is no longer level—and that trade practices such as forward buying, diverting, slotting allowances and all manner of deals and terms of sale have gotten so far out of hand that only an outside "policeman" can deal with them—then why haven't the distributor and manufacturer trade associations or their members filed formal complaints with the FTC, the agency that is charged with enforcing the law?

More now agree

In reply to SUPERMARKET BUSINESS's current survey, 76 percent of responding manufacturers thought that stronger enforcement of Robinson-Patman would be beneficial to the industry. In a similar survey conducted two years ago and published in our May, 1990 issue, only 57 percent expressed that opinion. Similarly, responding wholesalers showed an increase from 66 percent to 78 percent in agreement with stronger enforcement. Retailers responding in favor of greater enforcement went down slightly from 71 percent to 68 percent—still a large majority.

Two years ago, the overwhelming percentage of respondents in the retailer segment were in the "smaller chains" categories—those operating 50 or fewer stores. In 1992, respondents were much more evenly distributed among small to large and even giant companies. Yet, the great majority still opted for greater enforcement. In every segment of the industry, those who "strongly agree" with stronger enforcement increased in number.

Looking at responses to questions on diverting and forward buying provides quick insight into the often widely divergent views on every-day-low-pricing policies. The overwhelming majority of retailers and wholesalers (67 percent of each) strongly agree that forward buying is a necessary practice in order to stay profitable. Most would agree that diverting is good business for wholesalers and retailers, although there were far fewer in the "strongly agree" category.

But the real ambivalence over the connections between these practices shows up in replies to the statement: "Diverting can be stopped only by manufacturers."

Seventy-six percent of the responding retailers strongly agreed, as did 72 percent of the wholesalers. Among manufacturers, however, exactly half (50%) disagree to some extent, while 18 percent disagree strongly. Further, when responding to the statement, "Buying from diverters is good wholesale and retail business," exactly two-thirds of both the retailers and wholesalers agreed to a greater or lesser extent.

As one retail executive once said to SUPERMARKET BUSINESS, "If it's out there, I owe it to my customers and my company to buy it." But in this latest survey, one wholesaler said, "It harms local sales or brokerage personnel." Another flatly stated, "Wholesalers are under no obligation to participate." A manufacturer exclaimed, "It's unethical!"

And there is the crux of the problem: "I would be a fool not to take advantage of a situation that exists," one respondent wrote. But others wrote: "It hurts others," and "It's unethical."

The slotting allowances issue is the area of biggest disagreement between manufacturers and distributors, as would be expected. Although they are mostly in agreement that too many untested or not-really-new products are flooding the market, most manufacturers still feel that slotting allowances are not justified where positive market acceptance can be proved.

Finally, there is still confusion over who ultimately pays for all costs within the distribution system. Surprisingly, fewer retailers than suppliers seemed to grasp the idea that all costs are eventually passed on to the consumer.

TOP MANAGEMENT SURVEY

Buying from diverters is good wholesale and retail business.

	Retailer		Wholesaler		Manufacturer	
	1992	1990	1992	1990	1992	1990
Strongly Agree	38%	17%	39%	44%	10%	12%
Somewhat Agree	28	37	27	28	38	21
Somewhat Disagree	28	27	17	28	19	21
Strongly Disagree	6	19	17	0	33	46

Comments: ■ It harms local sales or brokerage personnel, with extra middlemen sapping profits (w) ■ It's unethical! (m).

Forward buying is a necessary practice in order to stay profitable.

	Retailer		Wholesaler		Manufacturer	
	1992	1990	1992	1990	1992	1990
Strongly Agree	67%	50%	67%	69%	27%	3%
Somewhat Agree	27	43	17	23	50	44
Somewhat Disagree	6	5	11	8	14	31
Strongly Disagree	0	2	5	0	9	22

Comments: ■ Under present rules, yes; if rules are changed, the profit will be from other areas (w) ■ Can't strongly agree because am not sure how much cost is added to the system through inefficiencies (m) ■ But penalized by Club store, separate class of trade (r) ■ It is necessary to stay competitive (w).

Manufacturers offer too many deals and too often do not restrict deal quantity.

	Retailer		Wholesaler		Manufacturer	
	1992	1990	1992	1990	1992	1990
Strongly Agree	19%	14%	29%	7%	14%	22%
Somewhat Agree	42	28	12	31	57	57
Somewhat Disagree	19	33	53	23	14	17
Strongly Disagree	19	25	6	39	14	4

Comments: They have become a crutch (w).

Because of so many untested new products, slotting allowances are justified.

	Retailer		Wholesaler		Manufacturer	
	1992	1990	1992	1990	1992	1990
Strongly Agree	67%	45%	78%	50%	14%	0%
Somewhat Agree	27	39	11	43	18	10
Somewhat Disagree	3	5	11	0	36	33
Strongly Disagree	3	11	0	7	32	57

Comments: ■ Don't stock the new products unless justified (r) ■ New items with proper marketing plans significantly differentiated from competition with a high probability of success don't require slotting allowances for us (w).

The answer to the question of why there are so few formal complaints filed with the FTC must involve fear ... fear that a meaningful FTC investigation could bring to light elements of everyday dealings that, in the end, will cause even more long-term grief. There may well be reason to believe that an active FTC might become a rampaging Nader's Raiders-type consumer champion, finding dragons to be slain in every industry corner.

Better to let sleeping dogs lie, perhaps. But as many segments of the industry are learning, self-policing doesn't always work.

Buyer/Merchandisers Say...

In the second part of the SUPERMARKET BUSINESS survey, buyers and merchandisers were asked a number of questions regarding new product introductions and support. Buyers indicated that market research support data was only "sometimes" provided, and that its availability continues to diminish.

When asked if buyers would accept a new product without supporting market research data, the great majority, 69 percent, said "Yes." Most buyers felt that new products should be accepted only on a guaranteed sale basis.

When asked about introductory allowances, most buyer/merchandisers disagreed that such payments usually were sufficient to cover costs. Forty-three percent did agree somewhat, but none strongly agreed that the allowances were adequate.

Other replies were even more revealing about industry practices. Regarding the statement that "It is the buyer's responsibility to accept or reject a new product based on its merits," only 54 percent strongly agreed. Twenty-two percent either somewhat or strongly disagreed.

When asked about behavior in the marketplace regarding the laws that regulate "fair" and "equal" treatment, buyers generally felt that manufacturers obey them, although two singled out clubs and mass merchandisers as getting unfair advantages.

When it came to assessing their competitors, 32 percent felt that their rivals did not obey the laws. When asked if their companies had policies regarding these laws, only 57 percent said, "Yes." Thirty-four percent said, flatly, "No."

TOP MANAGEMENT SURVEY

A fair charge for slotting allowances is...

	RETAILER		WHOLESALER	
	1992	1990	1992	1990
$2 - 3,000	25%	44%	33%	50%
$5 - 10,000	13	11	7	8
$25,000 & up	3	1	0	8
Whatever traffic will bear	45	43	33	34
No answer	13	1	28	0

Comments: ■ Should be based on amount of time product stays in warehouse (r) ■ Should be based on size of account (r) ■ None — will only drive up cost (r) ■ A wholesale slotting allowance should be in lower figures. I'm not capable of stating what retail slotting allowance should be (w) ■ There's no real "fair" value here! (w) ■ The issue is not fair (w) Reasonable reimbursement of costs (w) ■ Depends on size, kind of distribution center. Should cover cost of slotting a new item (w) ■ Will vary by competitive practices, kind of item, etc. (w).

Slotting allowances are not justified.

	RETAILER		WHOLESALER	
	1992	1990	1992	1990
Strongly Agree	6%	11%	0%	7%
Somewhat Agree	10	11	5	7
Somewhat Disagree	26	41	56	22
Strongly Disagree	58	37	39	64

Comments: Where would retailers and wholesalers be without new items which are, after all, developed not by either of the above, but by manufacturers (w)?

As a retailer/wholesaler, what is your usual slotting fee per SKU?

	RETAILER		WHOLESALER	
	1992	1990	1992	1990
Under $1,000	42%	69%	47%	34%
$1 - 2,000	21	14	20	25
$2 - 3,000	13	9	11	13
$3 - 5,000	17	2	11	25
More (specify):				
$10,000 (more)	4	4	11	13
$0	8	2	0	0

There is still confusion over who ultimately pays for all costs within the distribution system. Fewer retailers than suppliers seem to grasp the idea that all costs are eventually passed on to the consumer.

Slotting allowances are not justified where positive market acceptance can be proven.

	Manufacturer	
	1992	1990
Strongly Agree	58%	80%
Somewhat Agree	21	5
Somewhat Disagree	16	10
Strongly Disagree	5	5

Some retailers charge entrance fees to new suppliers. Would you pay such a fee?

	Manufacturer	
	1992	1990
Yes	14%	5%
No	59	95
No Answer	27	0

The answer to the question of why there are so few formal complaints filed with the FTC must involve fear ... fear that a meaningful FTC investigation could bring to light elements of everyday dealings that, in the end, will cause even more long-term grief.

Most abuses in marketing can be laid at the manufacturer's door.

	Retailer		Wholesaler		Manufacturer	
	1992	1990	1992	1990	1992	1990
Strongly Agree	31%	38%	17%	22%	14%	4%
Somewhat Agree	44	38	66	36	24	31
Somewhat Disagree	22	21	17	29	29	13
Strongly Disagree	3	3	0	13	33	26

Comments: Wholesalers and chains share in this greed (m).

Charging failure fees to remove unsuccessful products is justified.

	Retailer		Wholesaler		Manufacturer	
	1992	1990	1992	1990	1992	1990
Strongly Agree	45%	27%	33%	43%	10%	10%
Somewhat Agree	29	33	22	36	24	26
Somewhat Disagree	23	19	28	13	10	10
Strongly Disagree	3	21	17	8	57	64

Comments: ■ No one forces a purchase (r) ■ Not if slotting or up-front payment made (m).

Consumers ultimately pay for slotting allowances and other distributor fees.

	Retailer		Wholesaler		Manufacturer	
	1992	1990	1992	1990	1992	1990
Not True	16%	9%	11%	29%	0%	4%
Somewhat True	31	28	17	13	23	32
Sometimes True	22	22	28	29	38	32
Always True	31	41	44	29	38	32

Comments: ■ Our firm has taken in items without any slotting allowances (w) ■ These costs are passed down in the form of higher case prices. Consumers always foot the bill (m).

Stronger government enforcement of antitrust regulations (e.g. Robinson-Patman Act) would be beneficial to the industry.

	Retailer		Wholesaler		Manufacturer	
	1992	1990	1992	1990	1992	1990
Strongly Agree	34%	30%	28%	22%	33%	13%
Somewhat Agree	34	41	50	44	43	44
Somewhat Disagree	6	17	17	17	14	17
Strongly Disagree	25	12	5	26	10	26

BUYER/MERCHANDISER SURVEY

Most manufacturers are familiar with the laws that regulate "fair" and "equal" treatment of retailers.

	BUYER/MERCHANDISER
Strongly Agree	39%
Somewhat Agree	48
Somewhat Disagree	11
Strongly Disagree	2

Comments: ■ If most manufacturers are aware they do not show it in their performance ■ Knowledge, but not practice.

Most manufacturers obey these laws.

	BUYER/MERCHANDISER
Strongly Agree	11%
Somewhat Agree	52
Somewhat Disagree	26
Strongly Disagree	11

Comments: ■ I think manufacturers treat Clubs better re deals/terms ■ Playing field between supermarkets and mass merchandisers not level.

As far as you know, most of your competitors obey these laws.

	BUYER/MERCHANDISER
Strongly Agree	9%
Somewhat Agree	59
Somewhat Disagree	23
Strongly Disagree	9

Comments: ■ All retailers/wholesalers try to get the lowest cost and in this sometimes pressure causes situations that can enter a gray area for both manufacturer and retailer.

Does your company have any policy about these laws? If yes, please describe.

	BUYER/MERCHANDISER
Yes	57%
Follow laws	57
Robinson-Patman	21
Treat everyone fairly	13
Equal treatment based on size of our sale	4
Negotiating	4
No	34
No answer	9

Do small manufacturers pay more, less or the same to get their products on the "acceptable" list?

	BUYER/MERCHANDISER
More	20%
Less	22
Same	58

Comments: ■ They have no recession ■ Usually doesn't matter except for some items large companies put in with no allowance.

The supplier should pick up all unsold new products.

	BUYER/MERCHANDISER
Strongly Agree	56%
Somewhat Agree	35
Somewhat Disagree	8
Strongly Disagree	0

Comments: ■ If a company does what supplier suggests and it still doesn't sell, it is supplier's responsibility ■ Warehouse quantities; allowance at store ■ These types of agreements must be negotiated in advance ■ Only if promises weren't fulfilled (i.e. cancelled ads).

It is the buyer's responsibility to accept or reject a new product based on its merits.

	BUYER/MERCHANDISER
Strongly Agree	54%
Somewhat Agree	24
Somewhat Disagree	13
Strongly Disagree	9

Comments: ■ Committee decision/Buying group ■ We review all new items with store managers.

After what period of time?

	BUYER/MERCHANDISER
6 months	35%
90 days	16
120 days	10
30 days	10
Agree upon date in advance	7
60 days	6
1 year	3
9 months	3
5 months	2
30 days after 4 mo. trial	2
After 4 mo. trial period	2
2 months after ads start	2
When outdated or spoiled	2

What is the average fee that you charge for handling new products?

PER SKU	BUYER/MERCHANDISER
$50 for 1st, $15 for 2nd; $5 for 3rd ...	2%
$300	7
$500	4
$500 - 4,000	2
$500 + 10-20% per deal	2
$750 - 1,000	2
$1,000	4
$1,500	9
$2,000	2
$2,500	4
$5,000	4
$5,000 - 10,000	2
$25,000	2
2 free per store	7
No charge	8
Depends on item	10
No answer	30

PER STORE	BUYER/MERCHANDISER
$34.09 -45.45	2%
$50	4
$100	4
$200	2
$1,000 - 1,500	2
No charge	10
Depends on item	10
No answer	67

BUYER/MERCHANDISER SURVEY

The standard introductory allowance many manufacturers offer for new product introductions is usually sufficient to cover your costs.

	BUYER/MERCHANDISER
Strongly Agree	0%
Somewhat Agree	43
Somewhat Disagree	37
Strongly Disagree	20

Comments: ■ Some companies offer little and feel they don't have to do anything ■ Warehousing and accounting costs ■ Northeast is competitive marketplace ■ Sometimes the amount is enough but it costs us money ■ Too many of these allowances must be passed on to the retailer ■ Most manufacturers have larger than normal deals. These do not cover putting items on shelf. Need placement funds ■ Should be 15% and not $1 per case or less than 10% ■ With today's labor costs, the offers don't cover our needs ■ Allowances have changed a great deal lately ■ Use intro to give customer a lower retail, thus reducing our profit ■ Our research shows cost of markdowns to move deleted items is greater than most intros ■ Lost sales & profits from deleted items exceed most intro deals ■ Need additional listing allowance to cover cost of setting up new items ■ Time of working it on shelf, generating new tags, taking other products off the self to make room and half price these same discretional items ■ Cost of setting up & deleting new items With this bad economy the risk is too great ■ Costs include markdown of existing products to make room for new, and labor. Allowances still don't cover that now.

If a manufacturer does not have a standard fee, how is the allowance determined?

	BUYER/MERCHANDISER
Negotiation	35%
Slotting fee/set fee	32
Based on new item for category	11
Company requirements/ programs	8
% of Cost	5
Past history	5
It varies	3

The manufacturer submits test market data on new products.

	BUYER/MERCHANDISER
Always	15%
Sometimes	63
Rarely	21
Never	2

Comments: ■ Most often not relevant ■ Less & less, it seems ■ Who cares? They twist the numbers to make new items look like you can't live without them.

Would you accept a new product without such data or track record information? If yes, under what circumstances?

	BUYER/MERCHANDISER
Yes	69%

Comments: ■ If manufacturer promises to pick up excess product should the item fail. ■ If competition was advertising it ■ If item has merit (quality/value) and truly meets an easily understood consumer need ■ Depends on need for the item, strong advertising support, retail support or gut feel ■ You have to take chances once in awhile. Retailing is a risky business. Whoever thought a pet rock would sell? ■ Small companies that don't have funds to conduct marketing test sometimes have good items that may sell well on a local level ■ If from a dependable company ■ If product is unique ■ If it is competition for a low profit item that is currently carried ■ May be similar to existing item but under a different brand ■ If a line extension ■ If product has potential of opening up a new category in nonfoods ■ We are forced to today — we see very little data ■ Guarantees are acceptable if data not available ■ Most test info is not valid as manufacturers spend more in those test markets ■ As a buyer I have never seen a bad test market, yet so many new items still fail.

	BUYER/MERCHANDISER
No	31%

Comments: ■ We feel far too many vendors rush to get items in and bypass all the things that made their products successful in the past, i.e. test marketing, sampling.

The manufacturer is expected to remove a poor selling product within a category in order to make room for a new product.

	BUYER/MERCHANDISER
Strongly Agree	46%
Somewhat Agree	44
Somewhat Disagree	8
Strongly Disagree	2

Comments: ■ Depends if either has slotting money available ■ Offer credit so product could be reduced and when finished, discontinued ■ This rarely happens. They often offer to remove a competitor's slow item but seldom one of their own dogs ■ Good category manager should be the person to decide on what products should be removed from a category to make room for new products ■ The retailer must monitor all categories and delete products to open up space as needed, or to increase category space if needed, at the expense of another category and the items within.

New products should be accepted only on a guaranteed sale basis.

	BUYER/MERCHANDISER
Strongly Agree	31%
Somewhat Agree	48
Somewhat Disagree	17
Strongly Disagree	4

Comments: ■ Retailer should entitle the manufacturers to borrow or rent the shelf space needed to market his product, not take all of the liability for the product. Retail business should lease the real estate! ■ Depends on items. Marginal items should be guaranteed ■ New products must meet or exceed set criteria for sales and profit. If these goals are not met, there should be a pre-determined fee or expense charged to the manufacturers.

Advertising and promotional support are very important in getting a new product accepted.

	BUYER/MERCHANDISER
Strongly Agree	85%
Somewhat Agree	15
Somewhat Disagree	0
Strongly Disagree	0

SUPERMARKET BUSINESS

instore
BUSINESS

TENTH ANNUAL INSTORE BAKERY REVIEW

Amid the tightest economy in a decade, bakery sales were up significantly, with no loss in profitability. Now, if we can just find a way to jack up that customer count ...

by DAVID LITWAK and NANCY MALINE

■ Whether you head your chain's bakery operations at the corporate level, or manage the bakery department in a single store, odds are your 1991 results produced at least a sigh of relief, if not an even more hearty celebration.

The returns of our 10th Annual Instore Bakery Operations Review revealed that apprehensions about shopper belt-tightening, and the effects of management-mandated cost controls on the bakery's image and sales were, by and large, unfounded.

To be sure, there was efficiency in the air last year, along with those heavenly, fresh-baked aromas. Staffing was not increased, self-service fixtures and tables gained emphasis, department square footage held steady, and preparation techniques were mixed and matched for better productivity.

Assumedly, such measures played a key role in protecting departmental bottom-line contributions from a battering in last year's ultra-competitive atmosphere.

Yet it appears that the sales effort was not seriously impaired. Total instore bakery volume for the year topped $7.9 billion, an increase of more than 11% over the 1990 total of $7.1 billion. It was the largest one-year gain since 1988, the last time the department had achieved double-digit growth.

Granted, there were some blue notes amid the black ink. Despite the overall sales increase, the department's share of total supermarket sales was off slightly. And once again, those aromas failed to entice more store patrons to sample the sections' wares ... disappointing perhaps, but hardly disastrous.

Let's take a closer look at all the numerical aspects of instore bakery performance for 1991.

Last year's sales results show that, like its instore partner, the deli, the service bakery has become an accepted—and in many cases, expected—feature in today's supermarket.

That 11% volume gain represents a measure of bona fide tonnage growth, a reflection of both greater movement per bakery section, and the addition of departments in greater numbers of stores.

On a store-by-store basis, 1991 bakery department sales averaged $7,117 per week, up 7.5% from the previous year's average of $6,617. The vast majority of respondents (88%) reported higher weekly bakery sales.

Only 6% of the operators said that their departments posted volume losses in 1991, with the remaining 6% reporting a flat sales year. The average weekly sales increase among the 88% who reported gains in 1991 was 9%.

The second factor boosting total bakery sales last year was the increased number of departments in operation. The penetration level of departments in supermarkets rose to 69.5% in 1991 from 67.3% the previous year. That means that of the nation's approximately 30,800 supermarkets, 21,400 included instore bakeries.

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SPACE, LOCATION & EQUIPMENT
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INSTORE BAKERY

CENSUS

Instore bakery sales grew at a better-than-expected pace in 1991. The department's overall 11.2% sales increase, to a record $7.92 billion last year, marked its best volume gain since 1988.

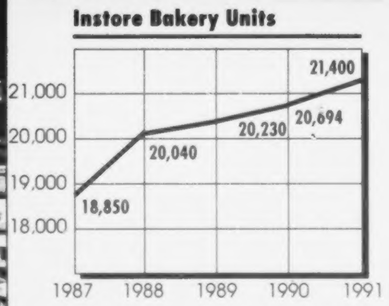
The number of bakeries in operation also increased. By the end of 1991, there were 21,400 instore bakery units, operating in 69.5% of the nation's supermarkets. The addition of 709 new bakery departments during the year also marked the biggest increase on that score since 1988.

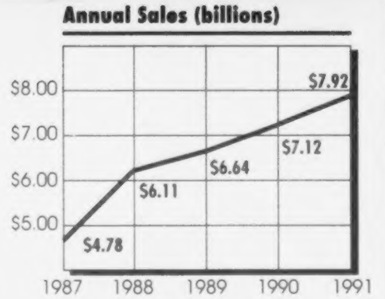
The strong sales growth, resulting from the combination of increased unit volume, higher retails and more sections in operation, breaks down to a weekly sales increase of 7.2% per department, with the average section doing $7,117 per week in 1991, compared to $6,617 the year before.

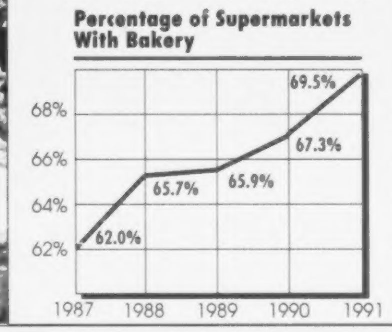
Is Portion of Store Overhead Allocated to Instore Bakeries?

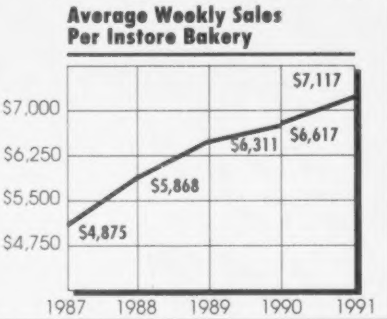
Yes	**43%**
No	**57**
Total	**100%**

FRESH BAKED
MEDIUM RED
VELVET CAKE
5.59
BAKERY


Instore Bakery Units


Annual Sales (billions)


Percentage of Supermarkets With Bakery


Average Weekly Sales Per Instore Bakery

The highest rate of growth since 1988 was posted last year by two key measures: total sales and number of instore bakery units.

The addition of more than 700 units in 1991 was the largest increase since 1988. Small wonder that the corresponding volume increase was also the best in three years.

Despite the overall advance, bakeries' share of their stores' total sales were off slightly last year, sliding to 2.3% from 2.8% in 1990. The juxtaposition of those two measurements points to both strong sales increases in other store departments, and a general increase in SKUs throughout the store.

As mentioned, the bakery maintained the level of its contribution to the bottom line from 1990 through 1991, despite the slight drop in its distribution rate. Last year, the departments accounted for an average of 6.6% of their stores' profits, up an eyelash from the previous 6.5%.

This indicates high marks for both the profitability of bakery sales and the growing efficiency of the department's operation. Consider the average reported gross margin of 56.7%—up half a percent in 1991 and by far the highest departmental gross in the supermarket.

Supermarkets still bake bread to make bread, although that particular dough is no longer rising. White and variety breads and rolls accounted for nearly 29% of total bakery sales in 1991, still a healthy portion but down slightly from 30.4%.

With no bakery category making any dramatic distribution inroads, cookies gained the biggest chunk, moving up from 6.2% to 7.5% of the section's sales. Modest share pickups were posted by sweet goods, yeast doughnuts, custom decorated cakes, layer cakes, and danish and other pastries.

No single category other than bread/rolls accounts for as much as 10 percent of the total sales. The closest are the yeast-raised doughnuts at 9.8% percent, and decorated cakes at 9.5%.

Departmental shares of a few of the non-bread categories dipped slightly. Affected were cake doughnuts, pre-decorated cakes, bagels, croissants, muffins and pies. The biggest drop was in the cake doughnut category, which fell to 4.3% of sales in 1991 from 5.1% the year before.

In weighing these category shares, bear in mind that they are universal averages, and that the popularity of specific items varies by region, neighborhood, proximity to freestanding bakeries of various quality and other factors.

Generally, the categories being added or fortified by the greatest number of retailers include cookies, muffins and decorated cakes. Conversely, variety breads, doughnuts and muffins are most frequently designated for elimination, or at least reduction.

INSTORE BAKERY

SALES, MARGINS & PRODUCT MIX

The vast majority (88%) of supermarket operators with instore bakeries enjoyed strong volume gains in those departments last year, reporting increases averaging 9%. Only 6% of the retailers saw their bakery sales decrease last year, while the same percentage experienced a flat year.

One of the few negatives in last year's bakery performance profile was in the share of store sales distribution column, reflecting both rapid growth in other departments and an overall increase in merchandise levels. However, the bakeries held their ground in terms of profitability, with no decrease in their contribution to their stores' bottom lines.

Although bread and rolls lost some of their combined share of instore bakery sales in 1991, they still represent the biggest single chunk with 28.7%. The best gainer within the department was the cookie category, which brought in 7.5% of sales in 1991, up from 6.2% in 1990.

Average Weekly Sales

Mean **$7,117**	Median **$6,750**

Weekly Sales By Format

	Mean
Superstore	**$10,947**
Super warehouse store	**$7,352**
Conventional	**$5,790**

Change in Dollar Sales (1991 vs 1990)

Higher	**88 %**
No change	**6**
Lower	**6**
Total	**100 %**
Average Reported Increase	**9 %**

HOMEMADE
APPLE PIE
1.99
1.99

Share of Total Store Sales

Mean **2.3%**	Median **2.4 %**

Percent of Total Sales by Format

Superstore	**2.2 %**
Super warehouse store	**1.8**
Conventional	**2.9**

Contribution to Store Profits

Mean **6.6%**	Median **5.5 %**

Percent of Store Profits

Less than 3.0%	**5 %**
3.0-4.9	**9**
5.0-6.9	**61**
7.0 or more	**25**
Total	**100 %**

Bakery Items/Lines Most Frequently Dropped or Decreased

- Variety Bread
- Doughnuts
- Muffins

Bakery Items/Lines Most Frequently Added or Increased

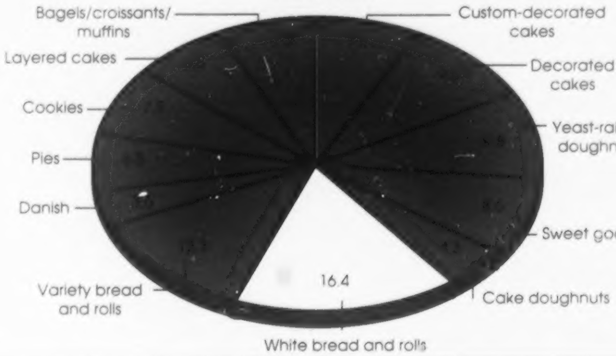
- Decorated Cakes
- Cookies
- Muffins

Gross Margin

Mean **56.7%**	Median **51.0%**
Less than 40%	**1%**
40-49	**22**
50-59	**38**
60 or more	**39**
Total	**100%**

Analyzing the Instore Bakery Sales Dollar

Share of Sales



While down in share of total store sales, the instore bakery maintained 1990's bottom line contribution.

Did you notice that muffins were in both of those groups? No, it wasn't an editorial error. Muffins were, in fact, the items most often added to and dropped from bakeries across the nation, illustrating the degree to which product trends are at different points of the cycle from region to region.

While instore departments in some markets are only just introducing many muffin varieties to their customers, their counterparts elsewhere have already been through the process, and have weeded out the non-sellers.

Operators will recall that croissant varieties went through this same cycling a few years ago. But muffins are particularly notable candidates for the in-and-out treatment because of the controversy over the real and perceived health benefits of oat and other bran varieties.

In terms of staffing, it still takes the equivalent of 7.5 full-time employees to operate the average section. The only difference in labor scheduling between 1990 and 1991 was the slight increase in the full-to-part-time ratio last year.

That situation, combined with the sales increase, enabled instore bakeries to spend less of their revenues on staffing last year. Labor accounted for an average of 30.2% of departmental sales in 1991, down from 31.4% in 1990.

Expressed in terms of labor productivity, the average weekly sales per employee increased from $882 in 1990 to $949 in 1991, a 7.6% boost.

Are more people selling harder, or are more consumers helping themselves to self-services? It would seem to be the latter.

The functional emphasis of bakery department labor scheduling is evolving, as indicated by the response to our survey. Operators report that their employees now spend about 65% of their time preparing products and performing other tasks not involving interaction with customers. The other 35% of time involved in direct customer service is lower than reported in previous years.

This reflects the growing emphasis on self-service merchandising, with greater numbers of items now being sold in that manner. Pies, decorated cakes, muffins and doughnuts,

INSTORE BAKERY

LABOR & SERVICE

The labor picture remained fairly stable in the bakery last year, with the department once again staffed by the equivalent of 7.5 full-time employees as it was in 1990. But with business better than in the preceding year, departmental labor rates and sales per employee were favorable.

In 1991, the cost of labor amounted to 30.2% of bakery sales, an improvement from 1990's 31.4%. The average weekly sales per bakery employee increased from $882 in 1990 to $949 last year.

The assignment of bakery manhours also changed last year. In 1990, 41% of productive work time was spent on direct customer service. Last year, that percentage dropped to just 35%, a reflection of the growing emphasis on self-service merchandising even within serviced departments.

While "help yourself" bulk product cases for rolls, bagels, doughnuts and cookies are used extensively, displays of pre-packaged products remain the most popular form of self-service merchandising. To take the best advantage of both techniques, operators continue to invest in packaging equipment and upgraded forms of self-service fixtures.

Brisk business, combined with stable staffing, resulted in healthy productivity in bakeries last year.

Number of Employees

Full time	4.4
Part time	6.1
Full time equivalent*	7.5

Full-Time Equivalent Employees

1-3	0%
4-5	28
6-7	33
8-9	28
10 or more	11
Total	100%

*2 part-time=1 full-time employee

Cake Decorating

Percent of Stores Offering	
Offer	86%
Do not offer	14

Time for Prep and Service

Breakdown or labor hours	
Customer service	35%
Other (incl. prep)	65
Total	100%

How Much for Labor?

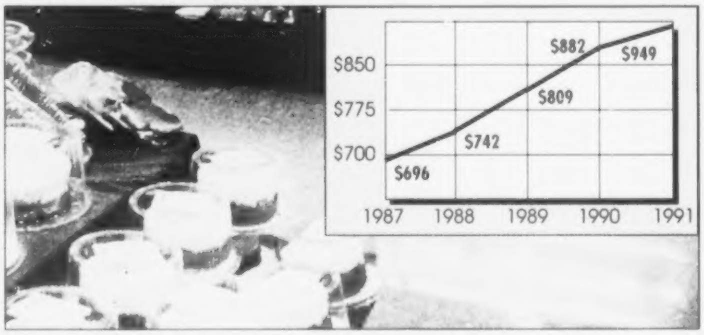
Labor as a Percent Of Instore Bakery Sales	
Mean	30.2%
Median	31.0%
Under 26%	25%
26-30	13
31-35	31
36-40	25
Over 40	6
Total	100%

Average Weekly Sales Per Employee*

Mean	$949

Average Weekly Sales Per Employee*

*Full-time equivalent employees

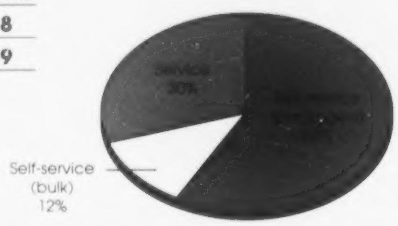


Service vs. Self-Service

Percent of Stores Offering*	
Service	74%
Self-service (packaged)	88
Self-service (bulk)	49

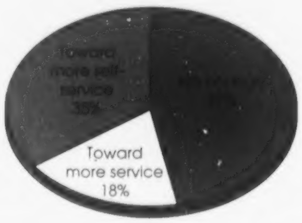
*Note: Includes multiple answers

Current Breakdown



Trends in Service

Expected Future Direction



Self-Service Equipment

Percent of Stores That Have	
Display tables for packaged self-service	87%
Self-service racks (or shelves) without doors	58
Roll bins with tongs for self-service	49
Self-service racks with glass doors	43
Hot coffee & beverages	40
Free-standing self-service racks (on wheels)	36
Self-service refrigerated cases	29

Self-Service Sales

Percent Sold Through Self-Service:	Pre-Packaged	Self-Packaged
Pies	72%	28%
Breads	86	14
Decorated cakes (refrigerated)	51	49
Decorated cakes (shelf temp.)	54	46
Doughnuts	40	60
Rolls	69	31
Muffins	81	19
Decorated cakes (frozen)	42	58

The all-important labor-to-sales ratio improved in the bakery department last year, with greater emphasis on self-service merchandising.

as well as the traditional breads and rolls, are common examples of products available either pre-packaged by the store, or sold in bulk from bins accessible to the customer.

With less time spent attending to customers, employees are devoting more to production details. And while bakeries have always utilized a combination of methods to prepare their products, 1991 marked the first year in which strict bake-off was not the major production technique for most stores.

Survey respondents indicated that 37% of bakeries integrated a combination of methods as the major means of production. Of those units remaining, 33% continued using bake-off as their major mode of production, while 24% opted for a scratch/mix process for the majority of their items, and 6% settled for the basic "thaw and sell" approach.

The major disappointment for instore bakery operators was

INSTORE BAKERY

PRODUCTION & SUPPLY

There's been a big change in the way some operators are producing bakery products, with the traditional bake-off procedure no longer the dominant technique it once was. In 1991, 37% of the respondents to this survey employed a combination of production methods, including elements of bake-off, scratch/mix and thaw-and-sell processes.

Strict bake-off thus fell to the number two slot, with 33% of instore bakeries remaining faithful to the process, followed by scratch/mix (24%) and thaw-and-sell (6%).

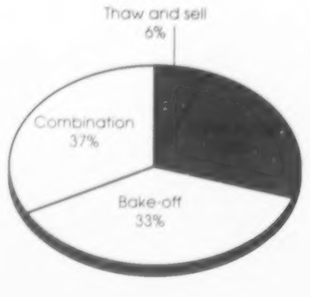
Methods of Production Percent Using*

	Bake-off	Mix	Scratch
Bread and rolls	**76%**	**53%**	**29%**
Yeast-raised doughnuts	**71**	**53**	**6**
Cake doughnuts	**47**	**76**	**0**
Sweet goods	**59**	**47**	**29**
Cookies	**76**	**29**	**18**
Pies	**82**	**6**	**35**
Layered cakes	**47**	**65**	**12**
Croissants	**94**	**6**	**12**
Brownies	**24**	**64**	**6**
Bagels	**82**	**6**	**12**
Muffins	**41**	**65**	**24**

*NOTE: Includes multiple answers

Major Method of Production

Percent Using:



Suppliers to Instore Bakeries*

	Bakery Distributor/ Supplier	Grocery Wholesaler	Ingredients Manufacturer	Bakery Wholesaler
Bake-off	**46%**	**80%**	**38%**	**10%**
Mix	**62**	**30**	**38**	**3**
Scratch	**62**	**30**	**62**	**2**

*NOTE: Includes multiple answers

Warehouse vs. Direct Delivery

Percent of Baking Ingredients Supplied

Through warehouse	**60%**
Direct to stores	**40**
Total	**100%**

MERCHANDISING & CUSTOMERS

There was some bad news in the bakery last year, in that fewer register tapes reflected bakery purchases than in 1990. Last year, 26.2% of weekly store visits included a stop in the bakery, down from 27.6% the year before. This was despite continued promotion of the department in newspaper ads, store circulars and sampling programs.

But on a dollar basis, this was offset by the fact that those who did stop spent more, with the average bakery transaction up to $2.22 last year from 1990's $2.01.

Bakeries' Share of Ad Space Compared to Share of Sales

Greater	**40%**
Less	**20**
Equal	**40**
Total	**100%**

How Supermarket Customers Spend

Percent Who Shop the Instore Bakery

Mean **26.2%** Median **26.5%**

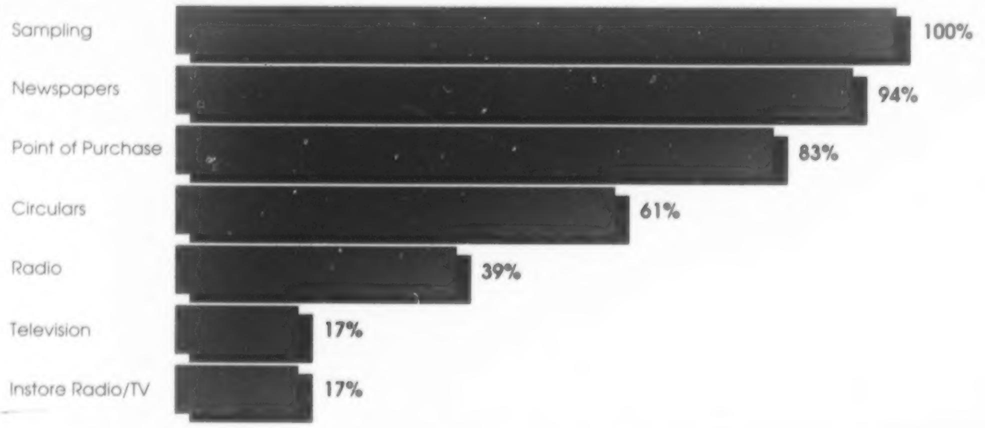
How Much They Spend

Mean **$2.22** Median **$2.13**

Do You Consider Your Bakeries:

Image/traffic builders	**14%**
Profit centers	**15**
Both	**71**
Total	**100%**

Advertising and Promotion Sell Instore Bakery Percent Using



their failure to increase the number of store transactions that included bakery sales.

In fact, the survey revealed that in the average supermarket, 26.2% of all weekly shopping trips included a purchase from the instore bakery, down from 27.6% in 1990.

Is inadequate promotion the culprit? Not according to 88% of our survey respondents, who felt that the promotional dollars they spend on newspaper ads, circulars and instore sampling are in line with the department's sales and earnings contribution, and in some cases perhaps generous.

The good news was that those shoppers who did patronize the bakery spent more than they did the year before. The average bakery transaction jumped 21 cents in 1991, to $2.22, an increase of 10.4%.

Can the bakery again achieve double-digit sales growth in 1992? Will economic conditions have any more effect than they did last year? Can the bakery indeed attract more store customers, or has the department reached the "max?" Tune in next April, and find out.

Charts continue on page 62

INSTORE BAKERY

SPACE, LOCATION & EQUIPMENT

There was little change in the dimensions of the instore bakery last year, with the departmental average down slightly to 1,618 sq. ft. from 1,626 in 1990. This put the bakery's share of store space at about 5.3%.

But if bakeries lost some space overall, they made the best of what they had, with average weekly sales per square foot rising to a new high of $4.40.

Fast becoming more of a supermarket staple, the service bakery is no longer the exclusive province of the superstore, with half of all departments operating in conventional units.

As merchandising and production methods continue to evolve, equipment purchases continue to keep pace. The retailer tries to use this equipment to enhance both the customer appeal and cost effectiveness of the department.

Bakeries are no longer limited to larger superstores. In fact, half of all instore bakeries now operate in conventional stores.

Size of Department

Square Feet of Space

Mean	**1,618 Feet**

Square Feet by Format

Superstore	**2,338**
Super warehouse store	**2,220**
Conventional	**911**

Share of Total Store Space

Mean	**5.3%**

Percent Share by Format

Superstore	**5.3%**
Super warehouse store	**3.9**
Conventional	**5.0%**

The Deli/bakery Concept

Stores combining delis and bakeries into a joint deli/bakery department

Joint deli/bakery	**28%**
Separate departments	**72**
Total	**100%**

Location of Bakeries by Store Format

Percent Located in:

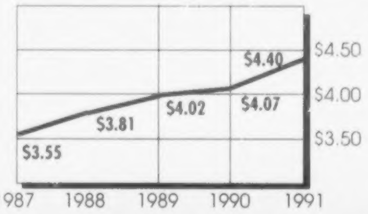
Superstore	**38%**
Super warehouse store	**12**
Conventional	**50**
Total	**100%**

Average Weekly Sales Per Square Foot of Space

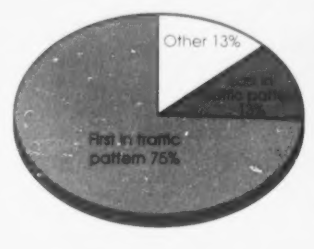
Mean	**$4.40**

Average Weekly Sales Per Square Foot of Space by Format

Superstore	**$4.68**
Superwarehouse Store	**$3.05**
Conventional	**$6.35**

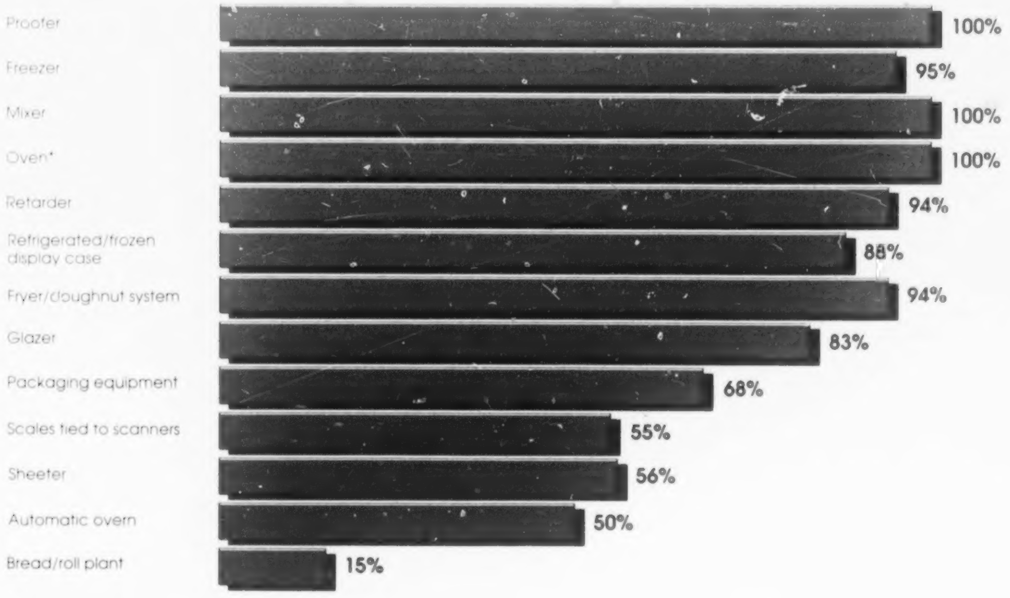


Preferred Location for Bakery



The Well-Equipped Instore Bakery

Percent of Stores That Have



* Excludes automatic oven